

NEWS SUMMARY

GENERAL

Lebanon clashes leave 75 dead

\$ steadies after support; Gold up

DOLLAR steadied but only after widespread support from central banks. It closed at DM 1.7405 (DM 1.7385) and its trade weighted index remained 82.8. Page 23

STERLING fell 0.9c to close at \$2.3725, but its trade weighted index was unchanged at 74.4. Page 23

GOLD continued to improve in London, closing 36 up at \$682.5. Page 23

PLATINUM rose sharply in London to its highest level for four months before falling to £203.60 a troy oz—25.25 up on the previous close. Page 27

GIIPS faded with news of the June banking figures after early gains in a volatile market.

The Government's Securities Index fell 0.05 to close at 70.39. Page 28

EQUITIES fell after early gains in mixed trading. The FT 30-share index closed 2.2 down on 492.7. Page 23

GIIPS faded with news of the June banking figures after early gains in a volatile market.

The Government's Securities Index fell 0.05 to close at 70.39. Page 28

ROUGH DIAMOND sales rose 18 per cent to \$1.57bn (£859m) in the first half of this year.

ECC COMMISSION is to announce measures which will sharply reduce sales of U.S.-made polyester filament yarns in the Community. Back Page

U.S. wholesale prices rose 0.8 per cent in June—significantly faster than in the previous two months. Back Page

BRAZIL'S annual inflation rate rose to 99.2 per cent at the end of June, the highest ever.

WEST GERMAN economy showed signs of slower growth with manufacturing industry's orders for April-May down by 15.5 per cent in real terms from February-March. Page 2

BARCLAYS BANK announced new personal savings and deposit accounts which will be competitive with those offered by building societies. Back Page

NUMBER of bad debtors and business failures in the UK increased sharply in the first half of this year, according to Trade Indemnity, one of largest underwriters of credit insurance. Back Page

ROTHMANS INTERNATIONAL, the tobacco group, reported a £17.7m drop in pre-tax profit to £80.5m for the year to March. Page 26; Lex, Back Page

WADDINGTONS, the games manufacturer, finished the year to March with pre-tax profit almost halved at £285,000 (£1.65m). Page 20

LONDON AND MIDLAND INDUSTRIALS, the consumer and engineering group, increased pre-tax profits from £1.13m to a record £3.45m in the year to March. Page 20

Terrorism move

Government dropped the power to detain suspected terrorists indefinitely and without trial from the Northern Ireland Emergency Provisions Order. Parliament, Page 8; Hangover pressure, Page 5; Feature, Page 19.

VAT probe

Customs and Excise officials are investigating possible irregularities in a VAT-free scheme for customers operated by Beaufort Buildings, home improvement division of London Brick. Back Page

Envoy recalled

South Africa had recalled all senior members of its diplomatic mission in Zimbabwe. Foreign Minister P. Botha said in Pretoria. Page 3

Atom waste demo

Seven people were arrested after a train carrying nuclear waste was halted by demonstrators who built a barricade across the track near Dursley, Gloucestershire. Page 19.

Marriage laws

The Prime Minister said the Government had no plans to change the law so Prince Charles could marry a Roman Catholic. Parliament, Page 8.

Detective jailed

Detective Kevin Carrington was jailed at the Old Bailey for seven years after being found guilty of passing on cannabis seized by police. Page 2.

Arizona hunt

Policemen in Arizona hunting smugglers from El Salvador to their deaths said some of the women were so ill-prepared they had started their journey in high-heeled shoes. Page 19.

Iran executions

Seven men were executed by firing squad in Tehran as part of a campaign against smuggling and drug dealing. Page 3.

Leaping exports

India last year exported 3,764 tonnes of frogs' legs worth about £1m to the U.S., Europe and Africa, according to figures from the Frog Culture Research Centre, near Calcutta. Page 19.

Briefly . . .

Kurt tremors rocked parts of the Midlands. Sussex was hit by floods. Forecast. Back Page. Dame Grade Fields left £167,153 (£270,153 gross) in her will. March. Page 20.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

Rises	Gold Fields SA	£351 + 14
Akroyd & Smithers	318 + 20	451 + 21
Bettsobel	282 + 5	223 + 7
Blue Circle	374 + 6	472 + 15
Brown and Jackson	140 + 12	
Cater. Ryder	245 + 13	
Christies Infl.	220 + 5	
Clubs	122 + 5	
Ferranti	619 + 24	
Fundinvest Cap.	89 + 7	
GRK	254 + 5	
Hull (M.)	248 + 10	
Hutchesons	516 + 6	
Hut's Wharf	288 + 6	
Hydrowoods	542 + 7	
Land Group	94 + 9	
Len. Midland Inds.	122 + 8	
Morganate Inv.	147 + 13	
Waddington (J.)	122 + 6	
Anglo Amer. Gold	249 + 1	
De Beers Did.	420 + 8	
	Southern Pacific	6124 + 1

Rate of monetary growth 0.25% over Government target

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE RATE OF monetary growth is still slightly above the upper end of the official target limits of a 7 to 11 per cent annual rate of increase, in spite of some slowdown last month.

Banking figures published yesterday by the Bank of England were known by the Government before last Thursday's decision to cut Minimum Lending Rate by one percentage point to 16 per cent.

The figures show the decision was based much more on anticipation of a slackening in monetary growth and bank lending than on evidence of a significant change in the trend so far.

The preliminary indications are that sterling M3, the broadly defined money supply, grew by about 1 per cent in the month to mid-June. This would mean an increase of 11 per cent at an annual rate since the start of the current target period in mid-February and an annual rate of growth of 10 per cent over the past six months.

The figures were at the upper end of the expected range. Consequently, prices of gilt-edged stocks, which had been slipping back before the announcement on profit-taking, weakened further. This creates considerable uncertainty about the level of support for this

morning's offer by tender of £800m of 1987 stock.

Some City analysts have been surprised that the Government came MLR before more definite evidence emerged of a slower rate of monetary growth.

The official view is that the money supply is definitely not accelerating and is around the upper end of the range.

There has nevertheless been a significant shift of emphasis in policy from a concern primarily with recent statistics and current uncertainties to a more forward-looking approach.

The key influence has been the daily evidence of the deepening recession which is expected by the Government to lead to a marked slackening later this year in both the private sector demand for credit and in monetary growth.

On this view it would be wrong to keep up interest rates and risk an excessive squeeze, especially as bank lending to the private sector usually lags behind changes in the economy.

This anticipatory emphasis in policy—or "intuitive optimism" as it has been described by broker James Capel—has led to different views on when MLR will be cut again. Some analysts believe a further move will come within a month, while others think any change will await clearer evidence of a

monetary slowdown.

The main indicator published yesterday was for eligible liabilities, a large part of the banking system's deposits. These rose by 2.2 per cent to £56.45bn last month.

This is not an exact guide to sterling M3, largely because of seasonal influences and banking transactions with the discount market. Both these factors reduce the expected rise to around 1 per cent, though, unusually, officials yesterday warned this figure might have to be revised in the light of later information.

The London clearing banks yesterday said the underlying increase in their advances last month seemed to have been appreciably lower than the average over recent months. But this may be a misleading guide to the overall picture which may show only a slight moderation in the growth of bank lending. This remained a substantial expansionary influence on the money supply.

The banks appear to have anticipated the abolition in mid-June of the corset controls on the growth of their operations. This is shown by the 3.1 per cent rise last month in interest-bearing eligible liabilities, the subject of corset controls.

Bank balances, Page 18 Editorial comment, Page 18 Lex, Back Page

Midlands workers settling for less

By Arthur Smith,
Midlands Correspondent

EVIDENCE THAT the Government's tough industrial policy is reducing pay expectations and settlements came yesterday from the West Midlands region of the Confederation of British Industry.

Recent deals negotiated against the background of the deteriorating trade position were already averaging 8 per cent, said Mr. Reg Parkes, the regional CBI chairman. Single figure settlements were expected to be the norm in the autumn pay round, with some companies unable to make any award.

There is evidence too that the sharp decline in the West Midlands economy, with its heavy dependence on the troubled motor industry, has undermined the militancy of workers.

Mr. Phil Povey, a regional officer of the Amalgamated Union of Engineering Workers, said last night "I have never known Midlands workers so docile. They have been punched and battered by the flood of redundancies and short time working."

BL Cars says there is "a significant change" in workers' attitudes and many of the controversial changes in working practices proposed by the management have already been implemented.

Union leaders have expressed surprise at the ease with which BL appears to have gained shop floor backing for proposals which less than three months ago provoked strikes by more than 220,000 workers.

Union leaders, alarmed at the recent spate of plant closures and redundancies, see no hope of a quick improvement in the employment situation.

Mr. Parkes forecast after a meeting of the CBI regional council in Birmingham that the level of redundancies was likely to continue for the next few months and might increase slightly.

Certain industries, such as motor components suppliers, were in deep trouble and for survival it was "a question of survival."

Feature, Page 18

Carter pledge of aid for car industry

BY DAVID BUCHAN IN DETROIT

PRESIDENT CARTER yesterday unveiled an aid package for the hard pressed U.S. car industry that could total nearly \$1bn.

His announcement came immediately before his departure to Tokyo for the memorial services for Mr. Masayoshi Ohira, the late Japanese Prime Minister. While there he will press again for a slowdown in the rising flow of Japanese cars to the U.S.

Mr. Carter, who has so far fought resolutely shy of direct import controls, told cabinet members, industry and union leaders at a dawn meeting at Detroit Airport, he was asking for an accelerated ruling on the import ban brought by the United Auto Workers.

The UAW petition alleges imports are unfairly damaging the U.S. industry and should be reduced by means of an increased tariff. Japan is taking nearly a quarter of the U.S. car market, pushing imports up to a 28.4 per cent share in May.

Mr. Doug Fraser, the UAW president, welcomed Mr. Carter's move as a first step, as did the heads of General Motors, Ford and Chrysler. An import ruling by the U.S. International Trade Commission (ITC), a semi-independent panel, may now come as early as September.

Layoffs in the industry and its suppliers exceed 700,000, and Detroit's unemployment rate is about double the 7.7 per cent national level.

Republican leaders were angry at having their lime-light party stolen. Mr. Bill Brock, the Republican National Committee chairman, called it "squalid politics" and said "in coming to Detroit" President Carter has laid claim to unemployment as a major campaign issue. I welcome him to do so."

Trade protectionism would bring the most immediate relief to the U.S. car industry, but the Administration has so far rejected it as inflationary, since a high tariff would raise Japanese car prices here and force Americans to turn back to larger domestic models that use more petrol.

Mr. Carter pledged \$250m to the Japanese Ministry of International Trade and Industry (MITI) formally assured Washington there was no truth in reports that Japanese companies planned to expand car production by 2m units a year by 1983, with sales of the extra cars mostly aimed at the U.S. Mr. Carter had pressed Japanese ministers on this at last month's Venice summit.

Chrysler the model, Page 4

Ford's best UK performance, Back Page

Thatcher unruffled over miners' £100 pay call

BY CHRISTIAN TYLER, LABOUR EDITOR

GOVERNMENT MINISTERS studied calm yesterday to a tough worded and politically-charged pay demand unanimously adopted by miners' delegates at their annual conference.

The Prime Minister said she thought many miners were happy with their pay, and she noted that young people were queuing to join the industry.

At their conference in Eastbourne, the NUM delegates approved a demand for a basic minimum wage of £100 a week, to be paid as salary, from January 1. The present minimum for surface workers is £73.65. This implies increases for all grades of about 35 per cent, and ignores all ministerial exhortations for wage expectations to be kept well below the prevailing rate of price increases this winter.

Mrs. Thatcher told the miners at Question Time she was more concerned with wage negotiations than the hands of NUM negotiators more tightly than for many years, is an instruction for a special delegate conference to be called "as a prelude to consulting the membership about taking various forms of industrial action" if the NCB refuses to meet the claim.

The big Left-wing led coalfields of Yorkshire, Scotland and South Wales have by this means prevented a repetition of last year's snap ballot of the membership. Activists would be given time to mount a vigorous pithead campaign.

For the Coal Board, the main worry appears to be that in spite of high earnings enjoyed by many top-rated faceworkers—an average of nearly £150 a week—grievances about the tough new financial constraints proposed for the industry will start a ground swell of political opposition.

The sting in the tail, which

setstlements, not claims. "This is the season of trade union conferences and you must expect to hear of high wage claims,"

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EUROPEAN NEWS

HELP FOR INDUSTRY FROM OVERSEAS DEMAND

W. Germany shows slower growth

BY ROGER BOYES IN BONN

OVERSEAS DEMAND helped boost foreign orders to West German manufacturing industry in May, but the economy is still showing distinct signs of much slower growth.

The Federal Statistics Office said yesterday that orders picked up by 2 per cent in real terms in May compared with April. This was almost exclusively because of a 4.5 per cent real increase in overseas demand—largely the result of large capital goods orders from such countries as China.

Domestic orders however, remained at the relatively low April level and in a two-month comparison, the April-May order figure is 5.5 per cent down in real terms from February-March.

Two other sets of figures reinforce the impression that

West Germany's economic slowdown is beginning. Statistics released yesterday show that production dropped by 2.5 per cent in April-May compared with February-March. While special factors, such as the Easter and Whitsun holidays, may have contributed to this, there are clear signs of lower output in the construction sector and in most parts of manufacturing industry.

The other major indicator was the remarkably high unemployment figure announced last week. For the first time in 20 years, unemployment actually rose in June, the number of jobless rising by 1.5 per cent from May to reach 781,400. The unemployment rate thus increased from 3.3 per cent to 3.4 per cent.

This figure—and indeed the

production and order statistics—is still remarkably good compared with other Western industrialised countries. The Economics Ministry believes that growth will reach 2.5 to 3 per cent this year which, though down on last year's 4.5 per cent, is still strong compared with most of the country's trading partners.

West Germany recorded a buoyant first quarter this year, a party carried along on the impetus of last year's healthy growth. But the first token of a slackening in the economy emerged in April when domestic orders to manufacturing industry fell by a dramatic 7 per cent.

This caused a ripple of concern among German industrialists, who in the latest IFO Institute business confidence survey, gave one of their most

pessimistic outlooks for the year ahead. The drop in orders and production, both in April and May, however, is partly because of the distorting effects of panic buying in the first quarter.

Concerned by the various international crises and the threat of higher oil prices, many German companies started stockpiling heavily towards the end of last year and in the first quarter. This sustaining force now evidently plays less of a role.

The Government's main worry is not so much the slowdown—which it expects to take root in the second half of the year—but price rises. Although the price of imports has eased slightly over the past two months, the cost of living is still edging up and is hovering around 6 per cent on a year-on-year basis.

Recession looms as chemicals output falls

BY KEVIN DONE IN FRANKFURT

THE WEST GERMAN chemicals industry has taken a significant step towards recession. Production fell in April for the first time in more than 15 months and output has declined further in May and June.

The value of chemicals output was still rising strongly in the first four months of 1980, driven along by sharply increasing prices. But by May even this indicator of the health of one of the most important sectors of West German manufacturing industry had started to fall, according to preliminary assess-

ments by the Chemical Industry Association (VCI).

Sales are estimated to have risen by some 12 per cent in the first half, but this is largely a result of the good performance achieved in the first three months. The industry is expected to decline for the rest of the year and, according to Dr. Karl Wamser, president of the VCI, "1980 will clearly be a worse year for the chemicals industry than 1979."

The industry is still uncertain how long the recession will last, chiefly because it is unable to predict at what level customers

will choose to hold their stocks.

Last year the chemicals industry raised production by 5.3 per cent in real terms and sales rose by 15.6 per cent in value to DM 102.4bn (£24.7bn). This development held good in the first quarter, but the industry's fortunes met an unexpected sharp reversal in April.

Output in April fell by 2.7 per cent compared with the same month of 1979 after showing strong increases of 4.5 per cent in January-March. Production fell again in May by 1.2 per cent and the VCI expects the

sector to show little recovery in June.

Only the industry's manufacturing price index is still rising as companies struggle to recoup the extra costs incurred as a result of the steady rise in the price of oil-based feedstocks.

About 80 per cent of West German chemicals production is based on oil products.

On average in the first five months chemical manufacturers' prices rose by 13.1 per cent and although there was some slowing down in April and May both months still had price rises of more than 10 per cent.

Dissident MP 'wooed' by Haughey'

By Our Dublin Correspondent

MR. CHARLES HAUGHEY, the Irish Prime Minister, is believed to be seeking some kind of rapprochement with the dissident Donegal MP, Mr. Neil Blaney, as a way of improving his Government's fading electoral prospects.

Mr. Blaney is well known for republican views and has been threatening to form his own party after years of sitting as an independent. Its formation has already been postponed once and it is thought that Mr. Haughey is keen to prevent it.

Speculation has been heightened by the replacement of Mr. Sean Donlon, as Ireland's ambassador in Washington. Last night, Mr. Blaney welcomed the change. He had previously criticised Mr. Donlon for his stand against IRA-sympathisers in the U.S.

Mr. Blaney left Fianna Fail after the arms smuggling affair over which both he and Mr. Haughey stood trial and were acquitted. Recent opinion polls have shown the Government's popularity to be slipping and a Blaney party could take vital seats away from Fianna Fail in an election.

Mr. Blaney has denied that moving Mr. Donlon was part of any deal between himself and Mr. Haughey.

East German efficiency drive

BY LESLIE COLLIOTT IN BERLIN

EAST GERMANY has ordered industrial managers to take determined steps to reduce endemic worker-absenteeism, "increase labour discipline," and lower the amount of overtime needed by workers who purposely go slow during normal hours. Labour productivity must also rise.

The instructions are contained in an urgently-worded directive issued by the East German Communist Party Government and state trade union before the economic plan for 1981 is worked out. East Germany has been unable to improve its labour productivity

and industrial efficiency as fast as prices rise for its energy and raw materials imported from the Soviet Union and the West.

Managers of inefficient industries are told they will not be able to submit comfortably low economic targets when they formulate their plan figures for 1981 in the next few weeks. They will have to use as a yardstick the figures submitted by the minority of efficient state companies.

Industrial combines are told they must introduce more microelectronics into their production. The shift illustrates the degree to which East German managers are faced with changing priorities set from above, for which they are then held responsible.

The annual plan is worked out at the top by the State Planning Commission, but the Government has relaxed its "minimal targets" to company managements and workers for a "plan discussion," starting next

week. The directive notes that the targets they set must always be higher than in the draft plan.

The party and government directive says producers must stop wasting energy and raw materials, and are to pay higher prices for both. Products of higher quality are to be more quickly produced and exported to the West. Industrial investments are to yield results in the fastest possible time.

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Soviet delegation visits Belgrade

BY ANTHONY ROBINSON, EAST EUROPEAN CORRESPONDENT

A SOVIET delegation led by Mr. Vasili Kuznetsov, first vice-president of the presidium of the Supreme Soviet, arrived in Belgrade yesterday at the start of a six-day official visit which will stress the Soviet Union's desire for close relations with the new Yugoslav leadership.

The visit follows closely apparently fruitful discussions in Moscow last month on economic, scientific and technical co-operation between the two countries.

The Soviet Union is Yugoslavia's largest trade partner. It provides one-quarter of Yugoslavia's oil imports as well as gas, raw materials and engineering products. It is also Yugoslavia's largest export market.

Operation in nuclear and power engineering, mining, metallurgical and other engineering sectors, including joint work on large walking excavators for strip mining.

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operation in nuclear and power engineering, mining, metallurgical and other engineering sectors, including joint work on large walking excavators for strip mining.

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Fiscal package aims to teach Italy to live within its means

BY RUPERT CORNWELL IN ROME

"OF ALL the industrialised countries, Italy today is the one with the highest inflation, the strongest internal demand, the fastest rising costs and the greatest dependence on imported oil. For those reasons, it is the one most threatened by any loss in competitiveness. Yet it still retains huge potential, as the consistently fast economic growth of the last two years proves."

This paragraph in the economic strategy statement issued by the Italian Cabinet last week sums up perfectly the background to the deflationary package just approved by the government. On paper at least, it is one of the most imposing economic therapies prescribed by an Italian administration in recent years and one of the most complicated and potentially far-reaching.

The aim is to shift L4,000bn (£2bn), or little less than 1.5 per cent of Gross Domestic Product, from consumption to industrial investment and exports.

In the face of overwhelming resistance from the trade union movement, earlier plans to call a partial halt to the *scala mobile* system of automatic wage indexation had to be abandoned. But many of the other provisions, if they are enforced, could bring Italy's economic structure yet closer to that of the major industrial powers to whose ranks she is irrevocably committed.

The clampdown on tax evasion, the streamlining of the country's Value Added Tax structure, and the impending changes to Italy's anachronistic banking legislation are but three pointers in this direction.

The immediate problem was an overheated economy. Recession has spread from the U.S. to most of the European com-

munity but has hardly brushed Italy. The economy will certainly slow down sharply after the summer holidays. Even so, as Sig Filippo Maria Pandolfi, the Treasury Minister, pointed out last week, growth in 1980 is forecast to be 4 per cent in real terms. This is only slightly less than the 5 per cent achieved in 1979, and Italy should once again be the EEC's fastest expanding economy. It is eloquent demonstration of the country's extraordinary vitality, but in the last six months the cost has been heavy.

Since last autumn, Italy has drifted out of phase with the economic cycle of the West. Internal demand has remained curiously buoyant. Consumption is reckoned to be rising at a 5 per cent annual rate, compared with 0.8 per cent for the OECD countries as a whole.

But while domestic appetite for goods, and particularly imported ones, has continued unabated, demand abroad for Italian products has contracted. This is the result of both the slowdown in major export markets and the diminishing competitiveness of Italian industry.

Soaring labour costs, driven by inflation, have reduced the competitiveness of Italy by 7 per cent last year, and the trend has undoubtedly continued this year.

The trade deficit in the first five months of 1980 quintupled to L6,800bn, the balance of payments is back in the red and the lire has come under steadily increasing pressure. Something had to be done, and quickly.

The package lacks direct steps to boost productivity and reduce the impact of wage indexation. All the same, and to the government's credit, it is designed to tackle the structural shortcomings of the

economy, rather than provide merely short term relief.

The panacea of a lire devaluation has been rejected. Of course, the currency's rapid slide down the European Monetary System grid disguised a devaluation. But despite the clamour from major exporting industries, from Fiat downwards, for direct devaluation as the simplest means of restoring competitiveness abroad, the government did not take the easy way.

The moment is not the most propitious for devaluation. It works best when a very weak dollar means import costs of dollar-denominated raw materials and oil can be held reasonably steady and when the telephone.

These last steps will allow the utilities both to carry out their massive planned investment and

enough to allow Italy a quick competitive gain against its most important trading rivals.

But at present even West Germany is in deficit and these conditions do not obtain. A cheaper lira now would also reduce important foreign currency revenues from tourism.

The measures are aimed at the causes, not the symptoms of Italy's economic difficulties. The authorities intend to attack the chronic propensity of the Italian to consume more than the country can afford by raising first indirect taxes as VAT and petrol duty and, later, the recapitalisation of some of those state-run banks which predominantly operate there.

The net result of the whole package will be to increase government revenues by L3,550bn and spending by L3,350bn. The public sector borrowing requirement, one of the main causes of Italy's

economic inflation, ought to drop to L38,000bn for 1980 from the L40,750bn forecast previously.

The most notable ingredient missing from this recipe for deflation is action to reduce the inflationary impact of the *scala mobile*. Nor is there anything more than the vaguest promise from the unions to promote higher industrial productivity.

Some of the latest moves have a typically extravagant quality. Compulsory receipts for VAT will be extended to furriers, jewellers and ladies' hairdressers, and the Finance Ministry is pressing for sealed cash registers to become the norm in every shop, again to prevent VAT fiddling. Another sign of the times is the massive increase in duties on whisky and other spirits, of which Italians are ever more enthusiastic consumers. A bottle of Scotch whisky will now cost £7.500 (£3.85) compared with the previous £3,000 (£2.55). In its small way, this too is evidence of how Italy is edging towards northern European standards.

As Sig. Pandolfi admitted last week, the package is unlikely to be enough on its own. Much will depend on what further steps are taken for the medium term, and whether unions and employers can reach a more lasting understanding over the problems of industrial costs and productivity. Even more painful measures may be required in the autumn and, once the traditional summer advantages for the lira have passed, the currency may again come under pressure.

But time has been bought and, for once, not by drastic monetary measures forced on the country in desperation, but by a measured fiscal package on which a medium-term strategy can be built. For Italy, that is no mean achievement.

YET, in other ways, things are changing. Tax evasion brought to light this year will yield an estimated L2,300bn of extra

Bank halts loan to Spanish steelworks

By Tom Burns in Madrid

THE state-controlled Banco de Crédito Industrial (BCI) has refused further credit to the crisis-hit Nervacero steel works near Bilbao whose employees in recent months have staged spectacular demonstrations against redundancies.

A BCI board meeting last night decided to withhold a Lta 475m (£2.85m) credit which has been earmarked for Nervacero since May when the bank loaned the company Lta 200m to meet wage bills.

The bank says Nervacero has not met conditions for further credit. These include a thorough auditing and a viability plan, in addition to the transfer to third parties of shares held by the Arburu family which built up the steelworks.

Proposals by the left-wing opposition parties and the Gaullists for reflating the economy could only lead to disaster.

The measures to stimulate investment, which the Government hopes will provide the main "motor" of the economy during the economic slack expected to last throughout most of next year, will be mainly fiscal.

They are likely to be similar to those adopted in April 1979, under which companies increasing their capital investment by at least 30 per cent could deduct 3 per cent from their taxable profits.

M. Barre warned the French

France plans steps to stimulate industrial investment

By ROBERT MAUTHNER IN PARIS

SELECTIVE MEASURES to stimulate industrial investment will be adopted by the French Government in the autumn as part of the 1981 draft budget, M. Raymond Barre, the Prime Minister, said in a television interview.

It would still be possible to guarantee the purchasing power of the French population as a whole in 1980, but that did not mean the disposable incomes of all categories would remain constant. Only the poorest workers could be certain of seeing the level of their real wages maintained.

M. Barre also announced that the supplementary levy of 1 per cent on social security contributions, imposed in July 1979 as a means of wiping out the system's huge deficit, would be abolished next February, some two months before the Presidential election.

Despite statistics published by the Labour Ministry, which show a steady increase in unemployment to its present level of nearly 1.5m, and OECD forecasts of a further sharp rise over the next 12 months, M. Barre said the employment situation had "ceased to deteriorate."

Lay-offs and dismissals directly caused by the economic situation it's joint top priorities, he said, and gave the strong impression that he would remain the man at the helm.

France does not favour him heading the Council while he is preparing to take over the presidency of a separate—and often rival—Community institution. But if M. Thorne has noted this, he has kept his thoughts to himself.

He could conceivably resign as Foreign Minister after his Commission job is formally announced in the Council on July 22, but it seems that Paris will be kept guessing until then.

Yesterday, M. Thorne said he would set out "personally" as soon as possible on the fact-finding mission to the Middle East agreed at the Community summit in Venice. As Luxembourg's Foreign Minister he had already visited Jordan and Iraq and was optimistic

OVERSEAS NEWS

Heavy fighting spreads in Lebanon

BY ISMAEL HAJAZI IN BEIRUT

TWO DAYS of heavy fighting between rival Christian factions has left at least 75 dead and more than 100 wounded. The Phalangist Party, the largest Christian paramilitary organisation, has gained virtual control of a considerable section of Lebanon's predominantly Christian areas, as fighting spread to the mountains and along the coast.

The inter-rightist friction is mainly over influence. The Phalangists command the largest Christian militia, with the National Liberals running a weak second.

As many as 500 Phalangist gunmen took part in the offensive, occupying 11 offices of the rival party as well as two garrisons where Mr. Chamaa's followers had stored their weapons.

The development, while strengthening the Phalangist position, also splintered the Christian Maronite front whose unity was its strength during the civil war four years ago against Palestinian guerrillas.

Beirut's banks adjust to insecurity

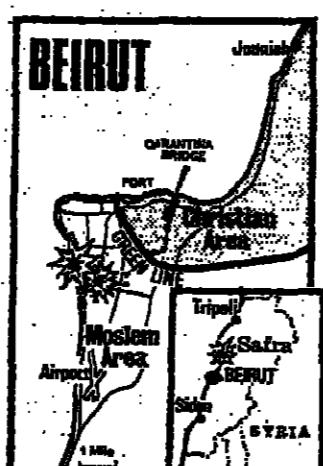
BY OUR BEIRUT CORRESPONDENT

DESPITE INSTABILITY and national divisions, Lebanon's banks have progressed beyond imagination. Bank deposits have soared to an all-time peak of £195m (£22.5bn), compared to only £100m at the end of 1976 when the Lebanese civil war formally ended.

Seven new banks have been established in the past three years, bringing the number of local, mixed and foreign banks in Lebanon to 77. If Beirut is not the Middle East's main banking centre as it was before the civil war, it is a major one.

The banks were shaken by the trauma of the national strife which lasted two whole years. A number of banks were looted. But activity at most banks was very much back as usual early in 1977.

If the more secure atmosphere had persisted beyond 1977, it is likely that recovery by now would have been complete and Beirut would have taken its place again as the Middle East's banking Mecca. But conditions in the country began to deteriorate in February 1978, when large-scale clashes broke out between Syrian troops of the Arab League Deterrent Force and Christian militiamen. The breakdown in co-operation between the two groups which



helped end the civil war, plunged Lebanon once again into uncertainty.

A project to rebuild the business centre of Beirut, shattered during the factional fighting of 1975 and 1976, was short-circuited by the new violence.

But bankers soon found a way to readjust. To stimulate banking, the Government eased its regulations and banks opened new branches to cater for each political division in the capital. Banking activity was rechannelled to the suburbs and to such provincial towns as Jounieh and Tripoli in the north, Sidon in the south and Zahle in the east.

Above all, the Government lifted its 10-year moratorium on the issue of licences for new banks. This had been imposed after the collapse in 1968 of Inter-Bank.

Within two years of the end of the moratorium, seven licences had been granted by the Bank of Lebanon. Yet the central bank remained loyal to the conservative policy initiated by Elias Sarkis, who was governor of the bank before his election as the country's President in 1976. It imposed a minimum capital requirement of £12m of which £2.5m had to be deposited with the

Lebanese treasury as a guarantee for the bank's operation.

The Association of Bankers now claims that the country is "overbanked". Of the 77 banks operating 34 are Lebanese-owned, some with other Arab capital investment. Twenty-two banks have a foreign majority shareholding and the rest are of mixed Lebanese and foreign ownership. Foreign international banks have curtailed operations in Lebanon, but most continue to maintain offices.

Investment by the banks remains limited because of the uncertain security situation. The large deposits have created a flood of liquidity, but critics of the banks' credit policy, particularly the industrialists, say that most banks still shy away from long-term credit.

Lebanese industrialists are still trying to persuade banks to allow them to pay back old debts by instalment, and the government has backed them with a draft repayment plan which is now before parliament.

The majority of the banks see their main contribution to the economy in aiding the growing commercial activity. Several have begun to take certain risks, such as managing credit facilities for tourist projects. The Schroder banking group took

ground in this field early this year when it managed a \$10m facility for a ski resort in Lebanon's eastern mountains.

Another criticism of banking

Seven shot in Tehran for drug offences

BY PATRICK COCKBURN IN TEHRAN

SEVEN PEOPLE were publicly executed by firing squad in the heart of Tehran's "red light" district yesterday as part of a campaign against dealing in narcotics.

Since May 21, 294 Iranians have been executed, 176 of them for drug offences.

To celebrate his attack on the drug industry, Ayatollah Khomeini, the judge who is leading the campaign, yesterday held a public viewing of confiscated heroin, opium, morphine and marijuana in the mosque at Qasr prison.

Bags of opium and heroin were on display together with knives and sub-machine guns confiscated from smugglers. Outside the mosque a crowd of relatives of drug addicts called for more dealers to be executed.

There are thought to be 800,000 regular opium users in Iran of whom half a million are addicts. They draw their supplies from the 7,000 acres of land devoted to opium poppy production in 1979.

Though some heroin is produced in laboratories in the wilder Iranian provinces where government control is tenuous, most hard drugs probably come from Afghanistan or Pakistan.

Reducing the consumption of opium is particularly difficult in Iran since it is used as a medicine in rural areas where no medical facilities are available.

AP reports from Moscow: Mr. Saeed Qothzadeh, Iran's Foreign Minister, has assured the Soviet Union that its Tehran embassy will be protected from hostile elements, according to the Soviet news agency, Tass.

In a despatch from Tehran, the agency said Mr. Qothzadeh had said that security bodies had been given necessary instructions to ensure the safety of the return of stability first.

The Government-controlled Housing Bank grants loans to poorer Lebanese to build their own homes. Its contribution, however, is still tiny when set against the country's growing housing problem.

Mugabe told 'disown Nkala'

BY OUR SALISBURY CORRESPONDENT

ZIMBABWE'S Patriotic Front, led by Mr. Joshua Nkomo, yesterday launched a bitter counter-attack on Mr. Enos Nkala, the country's Finance Minister, for his weekend threat to "crush" Mr. Nkomo. Meanwhile there were reports in Salisbury that Mr. Robert Mugabe, the Prime Minister, would move to disown Mr. Nkala's outburst.

The Nkomo front said yesterday that so long as Zimbabwe failed to open an embassy in Moscow, it could not claim to be a non-aligned state.

Reuter adds from Pretoria: South Africa has recalled all senior members of its diplomatic mission in Zimbabwe following the Salisbury Government's order to close the mission.

Mr. Nkala implied in his weekend speech that unless the Soviet Union dropped its support for Mr. Nkomo, it would not be allowed to open an embassy in Zimbabwe.

The Nkomo front said yesterday that so long as Zimbabwe failed to open an embassy in Moscow, it could not claim to be a non-aligned state.

Reuter adds from Pretoria: South Africa has recalled all senior members of its diplomatic mission in Zimbabwe following the Salisbury Government's order to close the mission.

There were no plans for further meetings with Zimbabwe officials, he added.

Third World oil hunt proposed

BY BRIJ KHINDARIA IN GENEVA

PLANS TO create a \$60m fund to prospect for oil in developing countries are moving ahead quickly, spurred by the realisation in most Western nations that finding new oil might be an easier way of reducing dependence on Arab suppliers than turning towards alternative energy sources such as nuclear power.

The United Nations Development Programme (UNDP) which finances most UN-sponsored aid programmes in the Third World, has suggested that the fund should be made up of voluntary contributions from Governments, reaching \$60m over three years.

The Organisation of Petroleum Exporting Countries (OPEC) supported the proposal at a session of the Programme's decision-making Governing Council, but offered to pay only \$6m.

Industrialised countries are keen to encourage oil exploration in developing countries at least 38 of which are known to have potentially large oil and gas reserves, but do not want to have to pay most of the bills.

The U.S. and the main Common Market countries think that final decisions should be taken only after a special session of the UN General Assembly in New York next August, which is expected to establish the main themes of North-South negotiations in

coming years. A special UN conference on energy questions is also due next year.

The proposed fund would pay for initial surveys in developing countries to assess whether further investments should be made by governments and private enterprises to explore and exploit any petroleum and natural gas fields.

Spending from the fund on petroleum surveys would be recovered at least partially from sales by Governments of survey data to national and private companies.

Third World needs for oil and gas exploration during the 1980s are estimated by the Programme at nearly \$2bn a year.

Australia's wage-fix system in danger

BY PATRICIA NEWBY IN CANBERRA

AUSTRALIA'S FRAGILE centralised wage-fixing system has been further threatened with an announcement that the independent Arbitration Commission is to reopen the national wage case because of a campaign to have potentially large oil and gas reserves, but do not want to have to pay most of the bills.

The arbitration Commission was to have announced the latest pay decision this week.

However, it believes a campaign being waged by the 300,000 members of 12 metal trades unions cannot be divorced from the national pay case and has therefore called for hearings to be reopened.

The wage system which has operated for five years has been largely responsible for keeping down Australian wages. The commission decides twice yearly on a pay rise for Australia's 6.6m workers after hearing evidence on the cost of living and submissions from the unions, government and employers.

The commission rarely grants a full cost of living rise and the result has been an average fall of 1.4 per cent a year in real wages over the past five years.

The metal trades unions are

ditions in the Australian economy and a shorter working week for them could be expected to filter through the whole workforce.

They have been working a 35-hour week officially in key areas as part of their campaign.

The ACTU, led by Mr. Bob Hawke, approves the principle of a 35-hour week, compared with the present 40 hours, but does not want to jeopardise the pay rise that is due to the rest of the workforce.

The Arbitration Commission has threatened to exclude the metal workers from the national pay decision, but all parties are well aware that this would virtually end the centralised wage-fixing system. Return to full-scale collective bargaining might result in a wages explosion accompanied by rising unemployment.

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Pressure on Haughey mounts after killings

BY STEWART DALEY

MR CHARLES HAUGHEY, Prime Minister of the Irish Republic, is under mounting pressure to intensify the measures against republican terrorist groups following the killing of two Gardai (police men) by bank robbers in Roscommon, mid-Ireland.

The gunmen are believed to be members of the banned Irish National Liberation Army (INLA), the smaller of the two main republican terrorist organisations. The larger group, the Provisional IRA, issued a statement denying responsibility.

A man arrested after the shooting is believed to be a member of the Irish Republican Socialist Party (IRSP), INLA's political wing.

Bank robberies are the main visible activity of terrorist groups in the Republic. Last

year, nearly £25m sterling was stolen in nearly 250 armed robberies in the Republic. In Northern Ireland, by contrast, there were 434 robberies which brought in a haul of £580,000.

Irish banks are highly liquid in contrast to British ones.

Money from robberies is the main source of republican groups' funding. A British Army intelligence document which fell into Provisional IRA hands last year put money from bank robberies as amounting to about three quarters of all Provisional IRA funds.

The crime wave has reached unprecedented proportions in the Republic. The robberies started on a large scale early in 1977, as money from republican sympathisers in the U.S. the traditional source of funding began to fall off because of an intensive propaganda campaign

by British and Irish Governments.

Today's Cabinet meeting is likely to be dominated by the murders. Mr. Gerry Collins, Energy Minister, is likely to report on what more can be done to protect the banks. Large payrolls are receiving Army escorts already. Mr. Haughey might be pressured to introduce new security measures.

Mr. Haughey continued the former security measures agreed by his predecessor, Mr. Jack Lynch, in the wake of the murder of Lord Mountbatten last August.

These new security measures, which Mr. Lynch agreed with Mrs. Thatcher, have never been fully revealed. But it is thought they include limited overfly rights by British Army helicopters along the border, and more patrols by both the Irish Army and police on roads leading to the border.

If nothing else, the murders will take the steam out of moves by republican supporters to abolish Ireland's special criminal courts. These courts have no juries. One special feature of them is that a man can be convicted of being a member of a proscribed organisation on the word of a senior police officer.

Orders for the new SK-30 design have already been won from South Africa, Saudi Arabia, Egypt, Holland and the North Sea oil and gas industry. These are worth a total of £38m for 19 units.

• The Thai cabinet has approved an order by Thai Airways for a fourth Boeing 737, worth \$12.7m. Of this, 15 per cent will come from Thai Airways' own funds, and the rest from the U.S. Export Import Bank. Reuter.

• General Connectors Corporation of Burlingame, California, the U.S.-based aerospace subsidiary of Bestobell, is to supply specialised duct assemblies for the Boeing 767 aircraft worth £1.4m.

Dutch turbine order goes to Rolls-Royce

BY MICHAEL DONNE, AERO CORRESPONDENT

ROLLS-ROYCE'S industrial and marine division has won an order to supply two Olympus-powered gas-turbine generating sets to the energy authorities in The Hague, Holland.

This is part of a £16m contract awarded to the Dutch company, Stork Boilers, by Gemeentelijke Energiebedrijf Den Haag.

The Rolls-Royce share of the deal brings to £250m the outstanding order book of the industrial and marine division for gas-turbines in industrial and marine roles.

Rolls-Royce has also unveiled a £2m private venture project which is helping to win further export orders.

This is a 30,000-kilowatt SK-30 Olympus packaged gas-turbine power station, constructed at Birmingham's Hams Hall, as a shop-window for the world's electrical authorities. In addi-

Increases in house prices continue to slow

BY MICHAEL CASSELL

HOUSE PRICES continued to slow down in the second quarter of 1980, according to the Nationwide Building Society.

Nationwide says average prices rose by only 3 per cent between April and the end of June, against 4 per cent in the previous three months.

There were considerable regional differences in the rate of increases recorded, the biggest rises (6 per cent) being in the east Midlands and east Anglia, and the lowest (2 per cent) in the south-east.

The rate of increase in house prices is now running at about 1 per cent a month, says the society.

Mr. Leonard Williams, chief general manager of Nationwide, said that average earnings were now rising faster than house prices. In the first half of this year the increase in average earnings was estimated at 11 per cent compared with a 7.5 per cent rise in average house prices.

As a result, the ratio of average house prices to average rates

Local authority spending wildly out of control'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

LOCAL AUTHORITY spending is wildly out of control and the central Government can do little under existing legislation to prevent overspending, stockbrokers Hoare Govett argue in their latest economic review.

The brokers estimate that on present calculations, before the full implementation of the teachers' pay awards, local authorities are set to overspend in 1980-81 by £265m, while cash balances are projected to drop by £285m.

The weaknesses inherent in the cash limits system are blamed for this position.

In another new brokers' review, James Capel and Co say last week's reduction in Minimum Lending Rate suggests the Government has strayed temporarily from its stated policy of not cutting interest

rates until money supply growth is within the target range, to a policy of intuitive optimism.

James Capel maintain that the cut in MLR should not seriously deflect the authorities from achieving their targets.

Consequently, the firm does not interpret the move as a "U-turn" but as more of an "S-bend" in that the Government's ultimate objectives remain unchanged.

An even more bullish view

has been put forward by brokers Panmure Gordon. The firm says that in the current recessionary phase a 16 per cent MLR is almost as illogical as 17 per cent. "We expect a further one point cut to 15 per cent by the end of July, though after that there will be a pause until October."

Electrical retailers make plea on origin marking

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

ELECTRICAL appliance retailers have told the Government that there is no demand from consumers for the country of origin to be marked on electrical goods.

The Radio, Electrical and Television Retailers' Association was commenting on Department of Trade proposals for making the marking of the country of origin compulsory. The proposals, to be published this

Southwark to utilise heat waste

A PLAN to provide homes in Southwark with central heating from waste power station heat is to be presented to the Energy Department soon, writes Maurice Samuelson.

The London borough is keen to become the first in Britain to provide district heating from combined heat and power.

The Government has agreed to offer its own preliminary studies of six potential sites. Southwark hopes to be one of them.

The plan was adopted this week by the borough's housing committee. It mentions the power stations at Deptford and Bankside on the Thames as possible places from which steam would be piped for home and hot-water heating.

Deptford, an old coal-burning station, would be equipped with two 250 MW units. Bankside, which burns oil, is out of use at present because of oil's high price.

The estimated cost of the scheme is £602m.

Half the cost would be for new power station boilers and turbines, the rest for street mains and domestic installations.

The report on the scheme is nearly 200 pages long. It was commissioned from Orchard Partners, whose consulting engineer, Mr. William Orchard, is a leading protagonist of combined heat and power.

Orders for the new SK-30

design have already been won from South Africa, Saudi Arabia, Egypt, Holland and the North Sea oil and gas industry. These are worth a total of £38m for 19 units.

SEVERAL large oil fired power stations in England and Wales have been closed or are running at lower levels than the minimum once thought necessary to avoid breakdowns.

This reflects the massive switch to coal and nuclear power caused by the ever-rising cost of oil. According to Energy Department statistics published last Friday, the amount of oil used in power stations by the Central Electricity Generating Board between February and April was 43.6 per cent below the level of the corresponding three months of last year.

The difference over the whole year is likely to be less dramatic but nevertheless the trend is unmistakable. Last year's minimum oil burn by the CECB was, at 5.8 million tonnes, half what it was in the early 1970s, and now represents less than 10 per cent of its overall fuel consumption.

While nuclear power stations, the cheapest to run, provide the base load, coal carries the main burden and oil is now used mainly for marginal and peak demand.

Of 18 main oil power stations, with a total capacity of 9,000 megawatts, four have been idle for a year, and others have, in CECB parlance, been "partly cold".

Even the biggest and most efficient oil plants, once designed to carry the base load, are now too costly to operate round the clock. They are the

make them expand and sag dangerously. As a result, there has been a marked increase in the risk to the security of supplies.

There are also potential risks to the oil burning power stations themselves when they are run at a low operating level. The all-night closures of Fawley and Pembroke power stations have to be handled with extreme care.

These measures have been

caused not only by the Government instruction to switch from oil to coal, but also by the economic recession which has

cut demand for electricity.

Last year's forecast of CECB

sales proved to be about 3 per cent too ambitious, representing a surplus of up to 3m tonnes of coal equivalent. Demand forecasts for the coming year are expected to point to a further fall.

This presents severe technical difficulties to the operators of the national grid, who are like housewives trying to turn the gas as low as possible without letting it go out.

For example,

the closure of oil burning plant

in the south east has meant that

much of the region's power has

had to come across country on

four arched 400 kilowatt lines

from coal burning plant in

South Yorkshire and the Trent Valley.

Even so, the future of much

of the CECB's oil burning

plant remains obscure.

In recent years, the Board has

been scrapping old plant and

investing in new plant.

Architects for the scheme are Chapman Taylor Partners, consultant surveyors are London-based Edward Erdman and Co. and A. Stansfield and Son of York.

Maurice Samuelson sums up the accelerating search for cheaper power

Major switch from oil

2,000 MW plants at Fawley, near Southampton, and Pembroke, especially nuclear. It is now

likely that it will have to consider scrapping oil burning plant still far from the end of its working life.

The most dramatic example has been the decision not even to complete two of the five generating sets at the £60m Isle of Grain station on the Thames. Instead, the boilers may be sold, converted to coal, or simply scrapped.

Wimpey scheme for York site

A £10m DEVELOPMENT of a historic site in the centre of York is to be undertaken by Wimpey Property Holdings.

Wimpey's redevelopment scheme for the Coppergate site will aim to blend the city's old streets with new buildings comprising some 140,000 sq ft of shopping area, including a departmental store, a car park, 23 flats, a restaurant and a museum.

Architects for the scheme are Chapman Taylor Partners, consultant surveyors are London-based Edward Erdman and Co. and A. Stansfield and Son of York.

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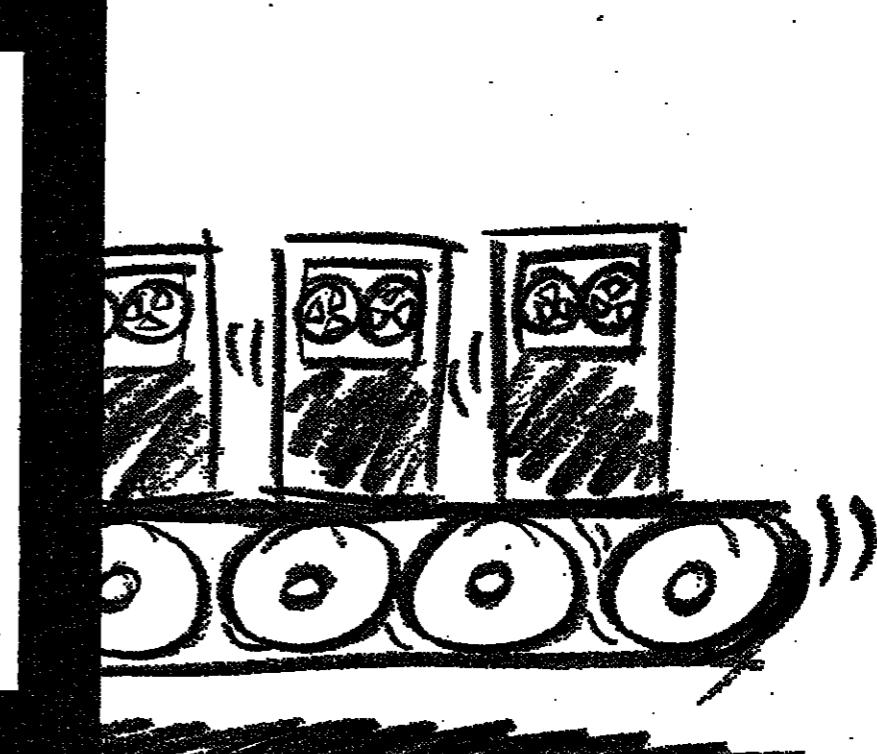
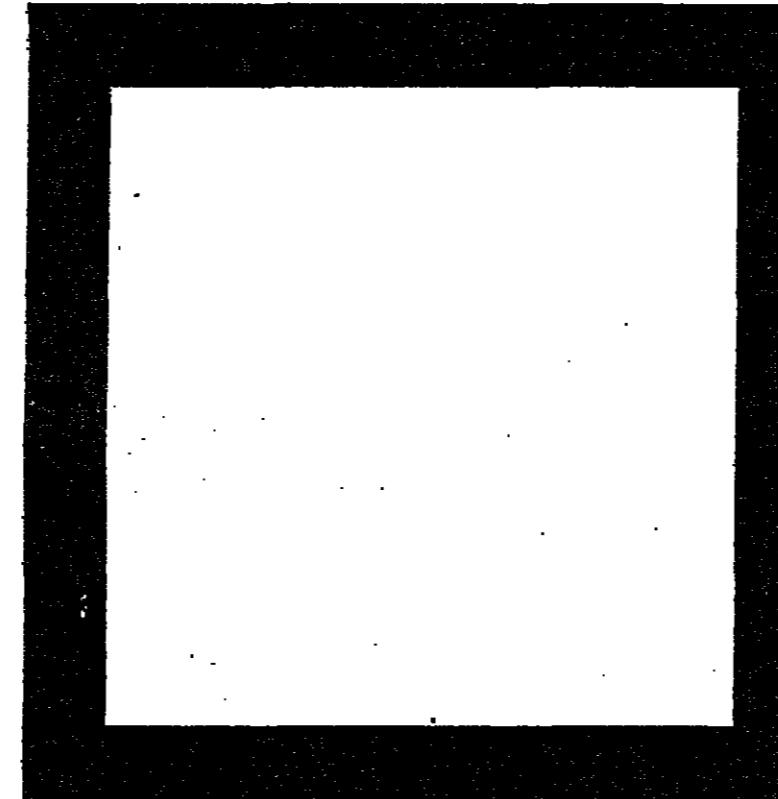
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UK NEWS

Ministers face new pressure on top pay

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

MINISTERS are likely to find themselves under pressure during the coming months to raise salaries of the chairmen and board members of some nationalised industries following Monday's announcement that these senior public servants are no longer to be covered by the Boyle Top Salaries Review Body.

In theory the new levels of salaries announced by the Prime Minister are intended to last at least a year, and any industry which tries to raise all its top salaries in the near future will receive short shrift in Whitehall.

But there are a number of key vacancies now open, or which will need to be filled soon, and the Government has been having difficulties finding candidates at the existing pay levels. The new increases, roughly half the amounts proposed by the review body, will do little to solve the problem.

Large enough

The main chairmanship vacant is at British Telecom, soon to be moved off from the Post Office. Although it has not been fixed, this industry is likely to be rated within the Boyle system alongside British Steel and the existing combined Post Office whose chairman are on £53,000 following Monday's announcement.

It remains to be seen whether this proves large enough or whether, as is widely expected, a salary of £80,000 or more eventually has to be offered to fill this key public sector post.

A new chairman is also needed by the end of the year

to succeed Mr. Ross Stainton at British Airways, where the new salary is £58,000. Next year Sir Peter Parker is due to be re-appointed or replaced—as chairman of British Rail which now carries the same salary. Sir John Hill, who now earns slightly less, is also expected to retire early next year from the chairmanship of the UK Atomic Energy Authority.

These appointments will test the willingness of the Government to pay the market rate for chairmen in conventional salary terms instead of inventing special arrangements such as the "transfer fee" of approaching £2m agreed to attract Mr. Ian MacGregor to become chairman of the British Steel Corporation.

Also, the need to recruit specialist board members in some industries—the Post Office for example needs an extra finance director—will mean that rates higher than those announced on Monday will sometimes have to be paid. This may well lead to a general review of individual industries' board salary levels once a high rate is fixed for a new appointment.

How the new system will work in detail is not yet known because Ministers only recently decided to take the industries out of the Boyle arena a few days ago.

Senior civil servants involved have held only tentative talks among themselves, and the Nationalised Industries Chairman's Group will consider the issue at a routine meeting on Friday.

Eventually, following the practice of the private sector, the non-executive members of a board may regularly review salaries with the chairman

(possibly with the help of a management's consultant's report). This review would embrace top management as well as board members and should therefore gradually end the problem of board members often earning less than executives who report to them.

The level of wage increases being paid generally in the industry concerned would be considered and recommendations would be made to the Minister concerned. As the Prime Minister stressed on Monday, increases would then be agreed in conjunction with the Civil Service Department, which is likely to want to maintain strong central influence over what happens.

The Prime Minister herself would be involved in vetting key decisions.

Efforts may be made to stagger the reviews in different industries so that they are not all announced together, in order to lessen the political impact of any increases.

Major increase

What seems most likely, however, is that, if there are to be any major increases paid during the next year or two, they will emerge when new appointments are made rather than because of an annual or biennial review.

There is also likely to be considerable confusion. As one frustrated chairman said yesterday: "The only thing one can be sure of is that there will continue to be a muddle, with civil servants trying to wield control, and with different Ministers fighting their corners with varying degrees of strength and interest."

Platform builder plans to join oil and gas search

BY RAY DAFTER, ENERGY EDITOR

HOWARD DORIS, one of the UK's major constructors of offshore oil production platforms, plans to venture into North Sea oil and gas exploration.

The group intends to bid for new seventh round licences as a member of consortia involving major international oil companies.

Howard Doris, which has a platform construction site in the North-West Highlands of Scotland, is discussing with oil companies the composition of consortia likely to bid for exploration concession in both the North Sea and the English Channel. Bids are due to be submitted to the Government by August 11.

The group, which has built platforms for the Ekofisk, Frigg and the Ninian fields, is believed to be the first constructor to attempt to diversify into exploration.

Mr. Lee Finkel, the director of Howard Doris responsible for the planned venture, said: "Being an oil-related company we see this step not as mere financial speculation but as a logical development of our hard-won experience with deep-water drilling."

The group, which employs 650 workers at its Kishorn site, developed at a cost of £60m, said it hoped that there would be some ordering spin-off from exploration interests.

The company said that if it was a member of consortium which found commercial quantities of oil it would be in a good position to ensure that Kishorn was at least included in the platform construction tender list.

Howard Doris, which is building part of the production facilities for Phillips' Maureen Field, has set up a Scottish registered subsidiary, Howard

Doris Exploration, a spearhead of the drilling venture.

Occidental, the U.S.-based operator of the Piper and Claymore fields is expected to order a purpose-built floating production platform to exploit small oil finds in the North Sea. If the company implements the scheme UK shipyards are almost certain to be invited to tender for the construction contract, which could be worth about £50m.

For the past year Occidental has been evaluating schemes for owning or chartering a floating production unit that could exploit small oil finds close to the Claymore Field or possibly other discoveries. Two years ago the group made a minor oil discovery on block 14/18, in the concession next to the block containing Claymore, but two subsequent wells were dry.

Although Occidental is thought to be moving closer to a decision, no formal proposals have been put to its partners or to the Energy Department. Occidental's partners in Piper and Claymore are Getty, Allied Chemical and Thomson BNOC joined the consortium for drilling in block 14/18.

Sealink UK fares up

SEALINK UK is to increase fares on the Hull-New Holland and Gravesham-Tilbury routes from August 10. The single passenger fare from Hull to New Holland goes up from 67p to 76p and the rate for an accompanied car more than 13 ft 6 in long will be £4.55, from £4.

The single passenger fare from Tilbury to Gravesham is increased from 46p to 52p.

Bank of New South Wales



Bank of New South Wales announces that with effect from

Tuesday, 8th July, 1980
its base rate for lending
will be decreased from
17% to 16% per annum.

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Demonstrators stop nuclear waste train

BY JAMES McDONALD

ANTI-NUCLEAR demonstrators yesterday halted for some hours a train carrying radioactive waste by erecting a scaffolding barrier across the line outside Dursley in Gloucestershire.

Seven people were arrested before the line was cleared and the train carried on to Sharpness dock on the Severn.

The waste—nearly 100,000

curies of radioactivity and weighing in its concrete and steel containers nearly 2,700 tonnes—was to be off-loaded at Sharpness into a ship and dumped into the Atlantic 500 miles south-west of Land's End, where the sea is 34 miles deep.

The Department of the Environment announced some details of the waste disposal programme, but not the train

time, last week. The operation, by the UK Atomic Energy Authority, was carried out in

accordance with internationally agreed procedures and under international surveillance.

The demonstrators hired the scaffolding in Bath for about £100 and erected the barrier at dawn.

The train stopped near it, and a British Rail spokesman said later the protesters' action was "grossly irresponsible and extremely foolish". Had this

train been going through at a time when the light was not so

good it could have ploughed straight through this obstruction, possibly injuring the demonstrators and the crew."

But the Atomic Energy Authority said there was no danger to the load, which was "no more harmful than a train load of cement".

The protest ended after four hours when police tied ropes to the scaffolding to pull it down.

They had brought a tractor load

of hay so that demonstrators on the scaffolding would not be injured in the fall. Some of the demonstrators jumped from the obstacle to the roof.

British Rail said there would be an inquiry into how the protesters discovered the route and time of the train, which were supposed to be secret. The train had started its final leg of the journey to Sharpness from Didcot in Oxfordshire.

in Paris, as the organisation which supervises the sea dump, are based on very conservative assumptions," says Mr. I. G. K. Williams, the director-general. "One such assumption is that the radioactivity is immediately released when the containers reach the ocean floor."

It has been proposed that the sea in the vicinity of the sea dump should be monitored for any rise in radioactivity. Britain's new "watchdog" agency on radioactive waste management has examined this idea and concluded that regular monitoring would be a waste of time. So great is the dilution in the deep ocean that even under the worst imaginable circumstances the leakage of radioactivity would be beyond the bounds of detection.

But the committee concedes that so emotional is the whole issue of nuclear waste and its disposal, "monitoring can provide a degree of reassurance."

David Fishlock reports on Britain's annual radioactive spring-clean

Dumping atom refuse in the deep

ONCE A year Britain spring-cleans the radioactive refuse from its 6,000 or so premises—laboratories, hospitals, factories, etc.—licensed to use radioactive materials. At a half-dozen places the refuse is being sealed in concrete drums for the annual sea dump.

The annual sea dump disposes of radioactive waste from a great variety of national activities involving radioactive substances: medical diagnosis and treatment, and the manufacture of drugs, as well as activities associated with nuclear electricity generation and nuclear weapons. The refuse includes filters from ventilation stacks, glass, plastics and paper, and residue residues from chemical processes.

Six centres in the South of England and in Wales, accumulated this refuse, entomb it in concrete, and seal it in drums for dumping on the seabed. One is Harwell, the Atomic Energy

Research Establishment near Didcot, from which came the train held up on a branch line in Gloucestershire yesterday.

Four years ago Sir Brian (now Lord) Flowers, then chairman of the standing Royal Commission on Environmental Protection, in his report on the nuclear-power programme urged the Government to set up a Radioactive Waste Management Committee, independent of the nuclear industry. One of his aims was to bring into Government a source of expert advice and criticism on its handling of radioactive waste.

This committee, in its first report to the Government only two months ago, was sanguine about the way Britain was using the oceans to dispose of certain kinds of radioactive rubbish. "We think this could be something increased," it concluded. It went on to add that additional increments of radioactivity on the scale being

proposed would be in comparison with the natural background radioactivity of the sea, "a drop in the ocean". Taken together with its confidence in the safety of the sea dump itself, which could be evaluated scientifically, said the committee, it believed that "an increase in the annual dumping rate of the order of 2,000 curies of alpha activity is a reasonable objective for the UK."

Four countries practise deep-sea dumping in the North-East Atlantic: Belgium, the Netherlands, Switzerland and the UK. Britain's contribution accounts for about 90 per cent of the total. For this reason it takes responsibility for the sea dump some 500 miles south-west of Land's End, approval for which must first be obtained from the Secretary of State for the Environment and the Minister of Agriculture, Food and Fisheries.

Only mildly radioactive

Oriental manuscript sells for £850,000 in record day

IT WAS a day of record prices at London salerooms yesterday, with the most important—and rare—item, Rashid Al-Din's "World History," going for £850,000 at Sotheby's against a pre-sale estimate of around £200,000.

The manuscript, which dates from 1314, was sold by the Royal Asiatic Society and bid for by a Geneva agent on behalf of an anonymous buyer. The work, which in one folio shows Shakyamuni offering fruit to the devil, was carried out at Rashid Al-Din's scriptorium near Tabriz under the patronage of the Il-Khanid ruler, Uljaytu. Rashid Al-Din was executed in 1318 when he was in his 70s, and the scriptorium was plundered.

"World History" is thought to have been acquired in India in 1313, and later in England by Major-General Thomas Gordon through whom the society was left the work. It has been sold to raise funds.

Other prices in Sotheby's sale of Oriental scripts, miniatures and Qajar lacquer were £8,000 for a blue vellum Qur'an leaf, £7,500 from the Victoria and Albert Museum for an album page with two Safavid drawings, and £3,500 from Colnaghi for an illuminated Qur'an leaf in Kufic script. The second and last day of the auction totalled £924,969.

English and Welsh porcelain sold by the same house amounted to £84,740, with the Welsh items attracting £29,060. The highest price was £3,000 for a set of Bow knife and fork handles en suite. A Swansea ice-pail, cover and liner of about 1814-22 went to a Welsh buyer for £2,200.

It was the first time that such a stimulation technique has been used for a semi-submersible drilling rig in the North Sea. Fluid was pumped under pressure into the oil-bearing rock and the resultant cracks were then kept open by a sand-based propping agent.

The reservoir, which stretches from block 3/8 into block 3/7, is very close to an oil discovery announced by BP a fortnight ago. Industry estimates suggest that the combined recoverable reserves of the two fields could be at least 100m to 200m barrels, enough to justify commercial development.



The £850,000 manuscript being displayed yesterday

At Christie's the world record was for a German wheel-lock pistol, circa 1600, which went to Howard Ricketts for £110,000. Mr. Ricketts was dealing for a private collector living abroad. The sale of antique arms and armour made £261,172 and a private collector living in England gave £7,000 for a wheel-lock pistol.

The head of a youth in a turban by Giovanni Battista Tiepolo was the highlight of the sale of Old Master drawings by the same house. Executed in black chalk, pen and brown ink and

brown wash, it realised £10,000. The total for the morning was £11,470. Japanese prints, paintings and screens amounted to £38,507 with Shogun, Japan, giving £2,400 for a Choki diptych of courtesans in a Green House. Spink's record was for an English coin—£45,000 for a Charles I gold triple Unite (a £3 piece) of 1642 from the Shrewsbury Mint. In a West Country sale in 1968 the same coin sold for £11,000. The previous record for a British coin was £33,415 for a Scottish James VI £20 gold piece.

THE DECLINE in air traffic in the UK as a result of the recession has prompted Air UK, the independent airline formed by merger of British Island, Air Anglia and other airlines, to lay off 98 staff.

They represent about six per cent of the total staff of 1,700,

and cover all aspects of the airline's operations—middle-management, pilots, reservations and clerical workers, engineers and other ground staff.

Mr. Peter Villa, managing director, said that when the airline was formed recently it had been hoped to avoid redundancies. But decline in air traffic this summer had forced reconsideration.

Redundant personnel were given notice on July 1 and will leave on July 31. Mr. Villa said the measures were to ensure the company's well-being. He was "obviously very sorry" for those redundant but it was management's responsibility "to consider the continued employment of the majority."

Catnic Components of Caerphilly, Mid-Glamorgan, where employees this week agreed to a cut in wages to help the company out of difficulties, has now made more than 50 workers redundant.

Senior managers and office staff were told they could leave immediately and still receive full redundancy pay.

Mr. Jim Lane, production director, said: "We are letting workers go immediately so they can look for other jobs. We will still be going ahead with the wage-cut plan. If that had not been agreed, the company as a whole would have suffered and we would have lost our competitive edge."

All 350 remaining workers, including the managing director, agreed to the wage cut. The company makes steel lintels for the building industry and blames the recession in the

building trade for the drop in demand.

Crane Fruehauf, Britain's major trailer-maker, is making more than 25 per cent of its 2,728 workers redundant. The Norfolk-based company attributed the 765 redundancies to an "unprecedented fall" in demand and "the consequent need to align the size of the business".

The redundancies affect its Oldham, Lancs, plant where about 140 jobs will be lost from a total of 465; 200 out of 900 workers at Dereham, Norfolk; 330 of 640 at North Walsham, Norfolk; and 70 out of 132 at Basildon.

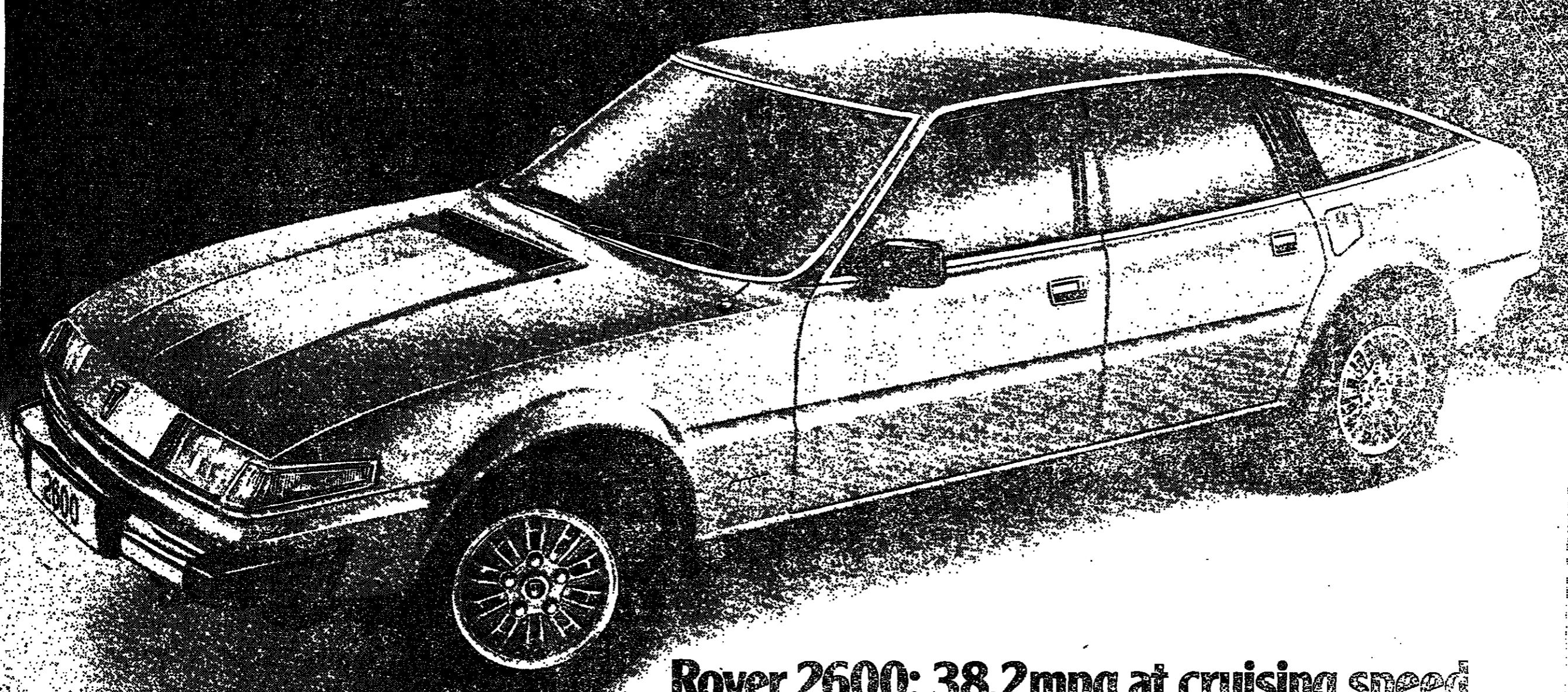
In 1979 CF made a £1.3m profit on a £73m turnover in spite of trade being affected by the haulage dispute and engineering industry problems.

Meanwhile the British Steel Corporation's tin-plate group is considering applying for aid under the Government's temporary short-time working compensation scheme in an attempt to avoid lay-offs.

Holiday shutdown periods at all three BSC tin-plate plants in Wales—Treforest, Velindre and Elbow Vale—have been extended already because of the low level of orders since the three-month steel strike ended.

But the corporation's tin-plate order-book is still looking "very sick". Deliveries of imported tin-plate ordered by BSC's traditional customers during the strike have arrived later, poor

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*Cruising Fuel Consumption Fig. - MPG (l/100 KM). Rover 5-speed manuals: 2300 urban-17.5 (16.1); 56 mph (90 km/h) - 36.8 (5.7); 75 mph (120 km/h) - 32.0 (9.1); 2600 urban-18.5 (15.5); 56 mph (90 km/h) - 38.2 (5.5); 75 mph (120 km/h) - 30.2 (9.4); 3500 urban-17.4 (17.4); 56 mph (90 km/h) - 36.5 (5.7); 75 mph (120 km/h) - 27.0 (10.5); 5-speed gearbox optional on 2300. Source: Motor Check Yellow Pages for your nearest Rover Dealer. Overseas tax-free sales office: Tel: 01-492 0881. Rover prices from £7,994.40. 2600 £28084. 21 Prices include Car Tax and VAT. Delivery and number plates extra. Metallic paint and Alloy wheels optional on 2600.

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Changes at Calor Gas

CALOR GAS HOLDING CO. LTD has made the following appointments: Mr. D. J. Mitchell has been appointed chief executive of the Domestic Management Centre (comprising the main operating divisions of the Group in Great Britain) and managing director of Calor Gas, the Group's principal UK operating subsidiary. He relinquishes his appointment as managing director of Calor International. Mr. R. F. L. Davies has taken up the new position of executive director (gas), Calor International, responsible for operations in the Republic of Ireland, Northern Ireland and Germany. Mr. F. De Camps, who retires in 1981, has become director of trade relations and has given up his last responsibilities as director and general manager of Calor Gas. Mr. A. Warner has been elected operations director and Mr. R. J. Barry sales and marketing director of Calor Gas.

Mr. Douglas Denny has been appointed an executive director of RESTOBELL.

Mr. James K. Fordyce has been appointed to the Board of WHITE HORSE DISTILLERS from his present position as the company's production manager.

Mr. Ruyton G. Mine has been appointed to the Board of THOMAS BORTHWICK AND SONS. He is managing director of Matthews (Butchers), a subsidiary.

Mr. J. R. E. Barbour-Smith, Mr. P. M. Dalton, Mr. R. McLeod, Mr. R. McFetridge, Mr. R. C. Richardson and Mr. D. D. Skinner have been appointed principals of CAPEL-CURE MYERS, stockbrokers.

Mr. Fernley A. Parker, British Vite Group chairman, has been elected president of THE FURNISHING TRADES NEVOLA-LEPAGE ASSOCIATION. Mr. Parker succeeds Mr. Arthur Buckley, also of British Vite and now retired, whose term of office as president expired this year.

Mr. Tom Goldberg has been appointed managing director of GRAHAM WOOD STRUCTURAL, part of the Amstel Group. He succeeds Mr. Fred Witham who, having reached the age of 60, now wishes to concentrate upon his duties as director of the company's technical sales division. Mr. Witham remains as a director of the company. At the same time Mr. T. Triance has been promoted to the board and becomes the new financial director.

Mr. Terry Howe has been appointed an associate director of CHARLES BARINER CITY. He will continue in his present position as media manager-financial.

Mr. H. T. W. Janssen has been appointed to the Boards of the PROVINCIAL INSURANCE COMPANY and the PROVINCIAL LIFE ASSURANCE COMPANY.

Mr. M. A. F. Beeve and Mr. Robert E. Wilson have joined the Board of HOWARD MACHINERY. Mr. Hemingway, who will be a non-executive director, is a solicitor practising in the financial area and Mr. Wilson is managing director of Howard Rotavator S.A. in France. Mr. J. R. O'N. Martin has resigned from the Howard board. Mr. Michael Tiley has become director of J. Maru and Son, a subsidiary of Howard Machinery.

ASSOCIATED LEISURE has made the following appointments: Mr. E. Marks has become commercial director of Associated Leisure Sales, based in Cricklewood, London. Mr. G. L. Hunt has been appointed sales director - Midland region - of Associated Leisure Sales, Warrington, Lancashire. Mr. R. Bradley, a director of Holmark Coin Equipment has also been appointed a director of Industrial Funding Trust and Mr. R. S. Wood has been appointed sales director. Mr. G. T. Black is now secretary of that concern.

Mr. David Ganit, chairman of Galliply Shipping, Mr. Edson Griffiths, Conservative MP for Bury St Edmunds, Mr. Frank Narby, chairman of Intercast SA, Mr. Peter Twiss, president of Intercast SA and Mr. Donald Webster, president of Helix Investments, have been appointed directors of EUROCANADIAN SHIPPING INVESTMENT. The company has been established in the UK to provide investment, advisory and management services for Euromaritime Shipholding, the parent concern of the Cast Group.

Mr. P. G. Nixon has been appointed chairman of FERRY PACKAGING GROUP in place of Mr. G. F. Cox, who has resigned from that post. Mr. J. P. Godfrey has been made a director of the company in addition to his position as assistant managing director of Ferry Packaging Sales.

Mr. J. M. Marshall has been appointed chairman of GROSSEY'S ESTATE COMMERCIAL DEVELOPMENT, the retirement of Mr. G. K. Riley.

Mr. William J. Reid has been made international sales director of HIWOOD. Mr. Reid will be responsible for all international sales and has a seat on the Hiwood divisional board.

Mr. George C. Hodson has been elected chairman of the BRITISH AEROSOL MANUFACTURERS' ASSOCIATION in succession to Mr. Richard Knollys.

Mr. Adrian W. Heath has relinquished his responsibilities as chief executive of INTERNATIONAL MILITARY SERVICES prior to his retirement later this year. He remains deputy chairman. Mr. Roy Oxford has become managing director and other executive for the company. After his retirement in December, Mr. Cotton will remain as non-executive chairman.

Mr. J. F. Nelson has been appointed to the board of EAGLE STAR HOLDINGS and of EAGLE STAR INSURANCE following his appointment as chairman of the British National Oil Corporation.

Mr. L. F. C. Tarrant has been appointed managing director of COSTAIN INTERNATIONAL.

Mr. Anthony Y. C. Yeh and Mr. Donald A. Park have been appointed non-executive directors of Sharpes Pixley.

HUNT OIL COMPANY

is pleased to announce that DR. E. ANTHONY COPP FORMERLY OF SALOMON BROTHERS has joined the firm as

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JUNE QUARTERLY

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ISSUED CAPITAL: 99,540,000 shares of 20 cents each, fully paid.

Six months ended 30/6/1980

Or. ended 31/3/1980

Or. ended 30/6/1980

Or. ended 31/3/1980

Year ended 30/6/1980

Or. ended 31/3/1980

Or. ended 30/6/1980

Or. ended 31/

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

MINING

New roof supports on trial

TWO NEW types of powered supports are now on underground trials. One is a 300 ton four leg shielded chock support and the other a 450 ton four leg chock shield type.

Both installations, one at Lea Hall and the other at Maltby Colliery, are reported to be performing well.

Both supports embody advanced design features. Hydraulic restoration on the 300-ton support enables it to be advanced, while still in contact with the roof. The 450-ton support also incorporates hydraulic restoration and has a design of linkage which will reduce stress size of members and weight.

Each support has four robust legs, either hydro-mechanical or full-hydraulic double telescope.

Skin-to-skin contact gives protection against flushing of materials from the roof while a simple valve gear offers unit adjacent or batch control.

FSW has also received an order for a hydraulic supply system at Lea Hall Colliery to provide the power to the coalface where the new supports are being installed.

The company's hydraulic systems have been developed to meet all new requirements of safety and efficiency. Pumps are air-cooled with positive internal lubrication and built-in anti-reverse equipment. They are driven by NCB motors.

Fletcher Sutcliffe Wild, Horbury, Wakefield. 0924 27 6363.

Drilling less difficult

SUCCESSFUL during drilling in the difficult conditions experienced at the Wheal Jane Mine near Truro, Cornwall, Orbit Drilling Company has been using extra thin-walled core barrels, diamond bits and reaming shells during exploration work to assess the tin ore reserves available for possible extensions. Performance achieved by the technique has been outstanding with core recovery generally in excess of 95 per cent.

In-the-hole drilling equipment for the contract, which started last November, is being supplied by Craelius Company, Daventry, and is mounted on a screw-feed drilling rig more robust and better suited to the conditions than hydraulic equipment.

In selecting the Craelius equipment used for this project, Orbit Drilling gave special attention to ensuring that peripheral rotation speeds and bits were properly matched. As a result, drilling outputs equivalent to 16 metres in an eight hour shift have been regularly achieved, although other factors including moving between drilling sites resulted in an average 40 metres/week.

Excellent performance was achieved in spite of the difficult drilling conditions at Wheal

Jane, and throughout Cornwall generally. At Wheal Jane the rock is mainly shale with quartz bands. The lode formations contain cassiterite with sulphides of iron, zinc and copper in a matrix of quartz, tourmaline, garnet and fluorite.

Craelius is at Long March, Daventry, Northants. 03272 3431.

PACKAGING

Milk churn alternative

FUNCTIONING AS a transit pack and dispenser, and introduced as an alternative to the conventional milk churn is a one-trip milk container called Churnbox launched by Bowater Packaging, Portland House, Stag Place, London, S.W.1. (01-534 9444).

Corrugated board outer cases contain five gallon capacity polythene bags (obviating the expense of churn cleaning and maintenance) and the pack is fitted with a pouring spout for simple dispensing. When empty, both the bag and the box can be thrown away.

ENERGY

Power package solves problems now

GROWING INTEREST is being shown in Europe and in other power-hungry countries for power plant that makes the fullest possible use of fuel consumed, in contrast with most of the very large central generating plants which reject a very high proportion of the heat contained in exhaust steam and condense to cooling water.

Schemes for the combined production of power and hot water for district heating are very well established in the Scandinavian countries, particularly Sweden.

Even in Britain, the traditional reluctance of the Generating Board to any departure from its commitment to a programme of increasingly huge central generating plants is being gradually overcome.

In May, the Hereford industrial combined heat and power plant was officially opened and now, Midlands Electricity Board is discussing a proposal under which, as in Hereford, the waste heat from diesel engines driving the generators will be recovered for use in local heating services.

The latter scheme, at Fort Dunlop, will generate 25 Megawatts. But it will also have auxiliary boilers running on fluidised bed combustion units which can cope with the poorest solid fuels, as well as with

municipal and other wastes with a reasonably high carbon content.

There is, however, a very strong case to be made for a complete switch to solid fuel and fluidised bed combustion, applied in small local, even municipal, power and district heating schemes. Indeed, with present inflation conditions, it could be claimed that the day of the massive central plant is over since its ten-year construction period brings an inflation penalty that can push the per kilowatt installed cost of a 2,000MW plant to close on £1,300. This figure is in sharp contrast to the £485 per kW claimed for "mini" power stations of 1 to 10MW that take a mere two to three years to build.

These startling claims are made with abundant justification by the new grouping set up by Stone-Platt Fluidfire and Peter Brotherhood under the name of Stone Platt Energy Systems.

It is offering a series of packaged generators which consist of a Stone-Platt Fluidfire fluidised bed combustor and water-tube boiler with superheat, which supplies steam to a Peter Brotherhood turbo-generator all mounted on a single baseplate with condenser.

Through its U.S. associate, the group is exploring the packaged market in both North and South America and Johnston Boiler Company in the U.S. is supplying three fluidised boilers to Souza Cruz (a BAT subsidiary) to burn high ash coal for steam production.

Orders are under negotiation in India for these packaged power units, also to burn coal with a very high ash content. Stone Platt Electrical agents in many countries are offering the packages initially to help the production line to get going quickly, but gradually the association will have its own agents in most areas. Comecos countries, Denmark and Germany and already covered.

There is thus a strong possibility that, for once, an idea

SECURITY

Watch for intruders

A SECURITY alarm system claimed to provide constant and economical monitoring of offices, factories and homes has been brought into operation at Maidstone, Kent, by Crusader Alarms, part of Rentokil's security division.

Named MIDAS (Monitored Intruder Detection Alarm System), comes into use at a time when Kent County police are ending the facility of direct private alarm lines into police stations. The main unit at Maidstone is an Ademco 573 digital receiver-printer.

Up to 16 subscribers can be served by one line to MIDAS from every major town in Kent and 1,000 subscribers can be served by a single wire from MIDAS to Crusader's central monitoring station in Peckham, South London.

Each installation can provide six types of security information all round the clock, checking conditions at seven-second intervals and, it is claimed, reducing substantially the number of false alarms.

The information provided might include legitimate entering and leaving of premises by staff, a criminal break-in, an outbreak of fire, or a failure of freezers, thermostats or boilers.

The tone signals to the Peckham monitoring station, each coded specifically for a subscriber's premises, are carried by Post Office wire. It is claimed that each interrogation and reply between the monitor and the client's alarm box takes less than half a second.

Details from Crusader Alarms, 7 Albion Place, Maidstone, Kent. (0622 677031).

COMPONENTS

Displays seen from a distance

MINIATURE packages 6.6 mm (0.26 in) high contain single character LED displays. GPD700 units are available from Plessey Optoelectronics and Microwave at Worcester (0527 50312).

This product has been designed to replace small filament-type displays, particularly as a result of American customer requests. Plessey expects a growing demand for the GPD700 since it is pin and mechanically compatible with the CMS-28 filament display, previously produced by Chicago Miniature but now withdrawn.

The GPD700 incorporates all the advantages of the internationally known GPD 400, 500, and 600 series, plus the ability to stack devices on 7.6 mm (0.3 in) centres.

It is fully sunlight visible and is hermetically sealed into a ceramic package.

GENERATORS

UP TO 500 kVA

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INSTRUMENTS

Tachometer simple to use

FROM Russet Instruments of Richmond, Surrey, comes a digital hand tachometer which enables continuous speed measurements to be carried out in the range of 100-20,000 rpm.

The distance between the tachometer's measuring head and the object to be measured can be between 50-200 millimetres, with an angle of incidence of 30 degrees. Accuracy is better than 0.1 per cent of the measured value.

Designed the DHR 905 and manufactured by Jaquet, in Switzerland, the tachometer operates on the reflective principle and has four automatically selected ranges which are under micro-processor control.

Lightweight and extremely simple to use, the DHR 905 would be directed at a reflective marker which is attached to the object to be measured. A reading of the speed is instantly provided by a four-digit liquid crystal display. A function LED indicates whether the reflection from the object would have to be imported.

The tone signals to the Peckham monitoring station, each coded specifically for a subscriber's premises, are carried by Post Office wire. It is claimed that each interrogation and reply between the monitor and the client's alarm box takes less than half a second.

Details from Crusader Alarms, 7 Albion Place, Maidstone, Kent. (0622 677031).

HANDLING

Shows the weight

WEIGHING capacities up to 220 lb can be provided by the latest hanging scales marketed by Waymaster of Meadow Road Reading RG1 8LB (073 59944).

The scales (known as the 165 Series) have stainless steel bodies and hooks and have 64 inch diameter dials. They have been designed to withstand rough handling and corrosive atmospheres and may be single or double faced with Imperial or metric calibrations.

The GPD700 incorporates all the advantages of the internationally known GPD 400, 500, and 600 series, plus the ability to stack devices on 7.6 mm (0.3 in) centres.

• In a report on yesterday's page, describing a new Cleanspan chart recorder from Kent Industrial Measurements, the type number should have been given as P600 and the accuracy as 0.5 per cent of

the span.

Banking figures

(as table 4 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIOS, AND SPECIAL DEPOSITS

1-Banks

	June 18, Change on 1980 month	
	£m	£m
Eligible liabilities		
UK banks		
London clearing banks	31,913	+ 891
Scottish clearing banks	3,422	+ 95
Northern Ireland banks	1,174	- 2
Accepting houses	2,465	+ 55
Other	7,706	+ 119
Overseas banks		
American banks	5,001	- 76
Japanese banks	392	+ 13
Other overseas banks	3,955	+ 129
Consortium banks	415	+ 11
Total eligible liabilities*	56,455	+ 1,236
Reserve assets		
UK banks		
London clearing banks	4,028	+ 65
Scottish clearing banks	440	+ 4
Northern Ireland banks	170	+ 5
Accepting houses	342	+ 12
Other	1,011	+ 16
Overseas banks		
American banks	661	- 1
Japanese banks	55	+ 1
Other overseas banks	574	+ 9
Consortium banks	63	-
Total reserve assets	7,243	+ 111
Constitution of total reserve assets		
Balances with Bank of England	475	+ 19
Money at call:		
Discount market	3,413	- 228
Other	332	+ 56
UK, Northern Ireland Treasury Bills	1,200	+ 117
Other bills:		
Local authority	436	+ 78
Commercial	1,034	+ 13
British Government stocks with one year or less to final maturity	453	+ 56
Other	—	—
Total reserve assets	7,343	+ 111

N.B.—Government stock holdings with more than one year but less than 18 months to final maturity amounted to £1,142 m.

2—Finance houses

Eligible liabilities

Reserve assets

Ratio (%)

Combined ratio

£m

FINANCIAL TIMES SURVEY

Wednesday July 9 1980

IRELAND

After almost a decade of vigorous growth Ireland's economy has become abruptly faced with a number of major problems—not all of them stemming from the world recession. Alongside these remains the seemingly unresolvable political problem of a divided Ireland.

Economic issues to the fore

By Stewart Darby
Dublin Correspondent

TO ALL appearances Ireland has passed through a year of great change. In the domain of politics it received a new Prime Minister in the shape of Mr. Charles Haughey, a man who was a contender for the job as long ago as 1966 and who might well have grasped the premiership before now had his career not received a sharp setback because of his involvement in an arms trial in 1970.

In the past year too Ireland set up its own currency, the Irish pound, and went on to cut the historic 150-year-old parity link with sterling in a move which had great symbolic importance. By joining the European Monetary System—the decision which occasioned the break with sterling—Ireland saw itself as declaring its economic maturity. It felt that its economy had become dynamic enough to loosen further the ties with Britain and to associate itself more closely with the more thrusting economies of the Continent.

Beneath the changes, however, some old headaches have remained.

Like a dull persistent throb, biding which simply will not go away, the intractable problem of Northern Ireland refuses to be solved. Violence continues almost daily in the six-counties UK province as Mr. Haughey's ruling Fianna Fail party in Dublin maintains that there can be no lasting peace until reunification of the two parts of Ireland is achieved by peaceful means. With the majority of Protestants in the province, through their elected representatives, adamantly refusing to have anything to do with the Republic, and with the British Government seemingly agreeing with them that the union should be preserved, the chances of progress towards the Fianna Fail goal are remote.

Perhaps nothing, over the long term, can stir feelings among many Irishmen so passionately as the Republican cause. But a sharper and more immediate headache—and one which is certainly to the fore in Mr. Haughey's mind, since it could affect his chances of re-election come the middle of 1982—is the parlous state into which the economy has fallen.

Ireland has just experienced a decade of unparalleled growth and prosperity, even allowing for the recession in 1974-75 set off by higher oil prices. At the root of the boom, which many tagged the "Irish economic miracle" (an epithet which in retrospect was perhaps not so clever), lay Ireland's membership of the Common Market.

As a net exporter of food, particularly beef and dairy products, Ireland was well placed to benefit from the Common Agricultural Policy when it joined the EEC in 1973.

With agricultural incomes soaring, helped by regular devaluations of the Irish Green

pound, incomes in the farm sector increased by 140 per cent in the five years 1973-1978.

Membership of the EEC also meant, however, that industrialisation could proceed rapidly. Attracted by a generous package of financial incentives and a system whereby exports were not taxed, a large number of foreign companies, particularly Americans, set up in Ireland. This meant in turn that exports of manufactured goods increased quickly.

Reduced

Ireland has still not reached the point where it has a positive trade balance, but one effect of the growth of manufacturing industry has been that dependence on Britain and its cyclical economy has been reduced.

Fifteen years ago 65 per cent of exports went to the UK; the figure now is less than 50 per cent.

By 1977 the economy was firing well on both the agricultural and industrial fronts. To regain power from the Fine Gael-Labour Party coalition Fianna Fail promised to prime the pump further and reduce unemployment altogether.

Fianna Fail was returned to power in 1977 and proceeded to implement its election promises. Taxes were cut, domestic rates were abolished, Government spending went up and the budget deficit too.

There were always at least two things which could have gone wrong for the Government. First, in an open economy where trade accounts for 95 per cent of Gross National Product (GNP) and where there are few natural energy sources, there was the danger that increases in the price of oil would bring un-

bearable pressure on the balance of payments.

The second worry was that by running up huge budget deficits (the Public Sector Borrowing Requirement (PSBR) was 14 per cent of GNP at the end of 1978) as well as allowing generous wage increases on top of tax cuts, excess demand would build up and the effect on the balance of payments would be the same—an unsustainable balance of payments deficit.

Both phenomena did occur, so that by the end of 1979 the balance of payments deficit was a near-record £740m. This was untenable by any standard since it was not covered by capital inflows and invisible earnings and meant drawing on reserves.

The problem was made worse, however, in that Ireland had an independent currency and no longer had the protection of being *de facto* part of the sterling area. Membership of an effective fixed exchange rate system like the EMS entails discipline if the Irish pound is not to come under pressure for devaluation.

The central bank, with an ability to exercise an independent credit policy for the first time, has practised tough discipline. Last year it refused to allow credit to expand by more than 18 per cent (after a 36 per cent rise in 1978).

This year it has laid down a 13 per cent limit. But credit control in itself is unlikely to be enough to remedy the balance of payments. One of the first things Mr. Haughey did on taking over from Mr. Jack Lynch last December 16 was to issue stern warnings about the country living beyond its means. In the budget an attempt was

made to cut spending, so that if all goes according to plan the PSBR should drop to just over 10 per cent.

There are many, however,

who say that Mr. Haughey

should have been even tougher, since the economic situation could worsen before it gets better. The central bank among others has forecast that the balance of payments will not improve because of the recent oil price increases. The likelihood is that the country will have to borrow abroad by next winter.

It will of course be in a much happier position if it can borrow against a background of oil of its own. Both Government and industry are nervously awaiting the results of drilling in the Porcupine Bank in the Atlantic, some 120 miles off Galway in the west of Ireland. Last year the Aran Energy/BP consortium made a find which flowed at a rate of 5,500 barrels per day. On the basis of this discovery the British stockbrokers Wood Mackenzie reckoned there might possibly be a field of 300m barrels in the Porcupine.

and if he does, whether he borrows the right amount—or popularity. Fianna Fail has an unprecedented overall majority of 16 in the 148 seat Dail (Parliament) despite the by-election results, so in theory Mr. Haughey could run to the end of the term in 1982.

If Mr. Haughey has inherited a difficult economic and by extension electoral situation from his predecessor, however, the short-lived boom was not entirely a disaster—creating more problems than it solved.

If nothing else, the surge in

persons incomes in the late 1970s did wonders for Irish self-esteem. It helped lessen the sense of inferiority that Ireland retains towards Britain, its long-time colonial master. In turn, Irish Prime Ministers have been able to deal with British leaders more evenly handedly as equals.

Mr. Haughey has himself,

since taking office, stressed that

the Republic's underlying economic well-being is one part of his general theme of trying to persuade the Protestant community in the North to have closer links with the Republic through consent and mutual self-interest.

So far he has had a very frosty response from both the Unionist leaders like Mr. Ian Paisley and from the British Government, which is pressing ahead with its so-called internal settlement for political devolution.

Mr. Haughey will undoubtedly pursue his claim for re-unification, or at least closer ties on federal lines. First, though, he has his economic worries and the problem of getting re-elected. Once those are out of the way, it may be possible to see the real cut of Mr. Haughey as a realistic Republican statesman and an efficient economic manager.



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IT WAS the Leader of the Opposition, Dr. Garret Fitzgerald, who in a speech last winter first publicly suggested that a major oil crisis was on the way again—and added a warning that this time the Irish economy was much more vulnerable than in 1973. He had concluded, after an energy meeting in Paris, that the round of price increases then just beginning would be prolonged and substantial.

Dr. Fitzgerald was right about that and it is becoming clear that his observations on the implications for Irish economic performance also had considerable validity.

The biggest single difference between 1973 and now is the size of Government borrowing. Ireland did not begin to run regular deficit budgets until the 1970s and the first substantial borrowing was undertaken in the wake of the 1973 oil price increases.

The idea was to tide the country over the worst of the consequent recession and to a large degree it worked. Employment, living standards and growth all held up better than they would have done had there been no resort to borrowing.

But if Ireland was slow to join the borrowers, it has shown little sign since of returning to the world of balanced budgets. Government borrowing last year was almost 14 per cent of Gross National Product (GNP) and will still be over 10 per cent in 1980 despite a real fall in non-priority spending.

At the same time, and doubtless connected with this high borrowing, the balance of payments deficit has increased, reaching £740m (£666m) last year. As a proportion of GNP it represented a deficit exceeded only once before, in the early 1950s.

Rising oil bills—and Ireland relies on imports for over 70 per cent of its energy—mean this deficit is likely to remain around the same level in 1980. But it is clear that oil did not cause the deficit; it merely made a bad situation worse.

The blame for this state of affairs has become a central political question. The opposition says the Government rashly over-heated the economy in

order to fulfil irresponsible election pledges. Defenders of the policy say it would have maintained the value of the Irish pound within the European Monetary System had the oil crisis not intervened.

Most economists agree that Government policy in recent years has been "pro-cyclical" and the timing of elections has undoubtedly played a part in this. The net effect is that the economy was boosted when it was growing—and now that it faces difficulties Government finances dictate that deflationary policies must be pursued.

The turnaround is dramatic. Economic growth—3 per cent in 1979—is expected to fall to somewhere near zero in 1980. Consumer expenditure will decline by 2 per cent.

The central bank expects investment, which increased by more than 14 per cent last year, actually to decline in 1980. Some not so gloomy forecasts are not so gloomy. Meanwhile inflation will rise at least five points to 18½ per cent.

But even this sharp degree of improvement is not expected to produce a dramatic improvement in national finances and the complaint has been heard that high public borrowing is squeezing out the private sector.

The downturn may indeed be sharper because of the tight

credit policies pursued by the central bank. In its efforts to maintain the value of the Irish pound within the European Monetary System the bank has tightened its credit growth guidelines to 13 per cent for 1980.

The bank has also been the firmest advocate of serious attempts to reduce both Exchequer borrowing and the balance of payments deficit. This year, it warned in its quarterly bulletin, Ireland's credit-worthiness could soon be called into question on international money markets.

The country's credit rating is still high but this is thanks to that late start in the borrowing stakes. The bank fears the position could change soon. Official external debt has doubled in the past two years.

Doubled

The fear is that the new underlying strength in the Irish economy created by the growth in manufacturing industry could be damaged if corrective measures are not taken now.

But it is increasingly clear that those measures would be most effective in the short term of pay. There is little scope for more cuts in public services

and the Government has been forced to reduce the levels of personal taxation.

Negotiations for a new national wage agreement are getting under way but the omens are not good. Although there is no formal agreement on indexation, union leaders have become used to national agreements which cover cost-of-living increases fully.

They have rejected arguments from the Government that increased oil prices cannot be compensated for and from the employers that they cannot pay out for indirect taxes imposed by the Government. Nor is there a disposition to take personal tax reliefs into account.

Yet a repetition of the past two years, when public sector pay rose by more than 20 per cent a year, would rule out any possibility of a fall in Government borrowing or a return to counter-cyclical policies.

In these circumstances another national agreement cannot be taken for granted. Some observers believe the Government missed an opportunity by not calling for a public sector pay policy before the idea had been shot down in arguments between unions and employers.

Many believe that if the Government cannot get less than full indexation in a national wage agreement it will call to chances on a "free-for-all". Others think the uncertainty and the danger of increased industrial strife will ensure collective agreement in the end.

Either way the bargaining is likely to be harder than in previous years. But with Dublin political gossip already speculating on an early election the degree to which industrial considerations will apply is again in doubt.

By a Correspondent

Foreign policy hinges on Brussels and Belfast

over that at the recent Venice summit Ireland's Mr. Haughey and Britain's Mrs. Thatcher had a short bilateral meeting where it is thought they discussed the British Government's plans for limited devolution.

The closer links and the greater confidence among the Irish are important because successive Irish Prime Ministers have felt that Dublin's views on the North have not been considered or taken into account.

Some British Governments in recent years have more or less snubbed Dublin, saying in effect that British policy in Northern Ireland is none of Dublin's business and repeating the accepted Unionist line that the problems of the North are for the British Government and the people of the province to sort out.

The position of Mr. Haughey's party doctrinally is that Ireland should be a united Ireland and that there should be a 32-county State. In its constitution, which was drawn up by a Fianna Fail Government, Ireland lays claim to the six counties of Northern Ireland as part of Ireland's sovereign territory.

Fionnuala Fahey is the party of Eamon De Valera and those who oppose acceptance of the treaty which partitioned Ireland in 1921. Fine Gael, the main opposition party, is the descendant of those who accepted the treaty and set up its provision for two parliaments, one in Dublin and one in Belfast, and set up the Irish Free State in the South.

The Fine Gael position today is that they would like to see closer ties between the two parts of Ireland but not a confederate basis.

The most recent comprehensive Fianna Fail statement towards the North policy came in 1975. The party reaffirmed that its goal was re-unification of the two parts of Ireland by peaceful means. The party also called for a British declaration of intent to withdraw from Northern Ireland.

The document was drawn up when the party was in opposition, and even though it was

for political devolution, which was outlined in last week's discussion document, is doomed to failure.

Mr. Haughey appears to believe that the problem is not a question of finding a limited form of political devolution. He feels it is the existence of the state itself.

What he wants is to encourage the people of Northern Ireland to have closer links with the Republic by pointing out the advantages to them. He has talked of Northern Ireland's economic deterioration and Ireland's new-found prosperity. He has hinted at changing the constitution in matters like divorce and contraception. He has even suggested that he would not rule out, for an initial period at least, some kind of federal arrangement.

As part of this process he has tried to launch what he calls closer political co-operation with the British Government. At a first full-length and very confidential meeting with Mrs. Thatcher last August, Mr. Lynch agreed with Mrs. Thatcher on tighter security co-operation between the two countries.

This is basically the situation which Mr. Haughey inherited when he took over from Mr. Lynch last December. Mr. Haughey continued the new security arrangements. These largely remained a secret but certainly include more checks by the Irish army and police on their side of the border on cross-border traffic. They are also thought to include over-flight rights along a narrow corridor by British army helicopters.

Mr. Haughey quickly moved to squash his image as a tougher republican than Mr. Lynch by condemning the Provisional IRA and all their activities. But he has moved slightly from Mr. Lynch's position on an internal solution. He has recently said that the British Government's initiative in any form he can.

Stewart Derby



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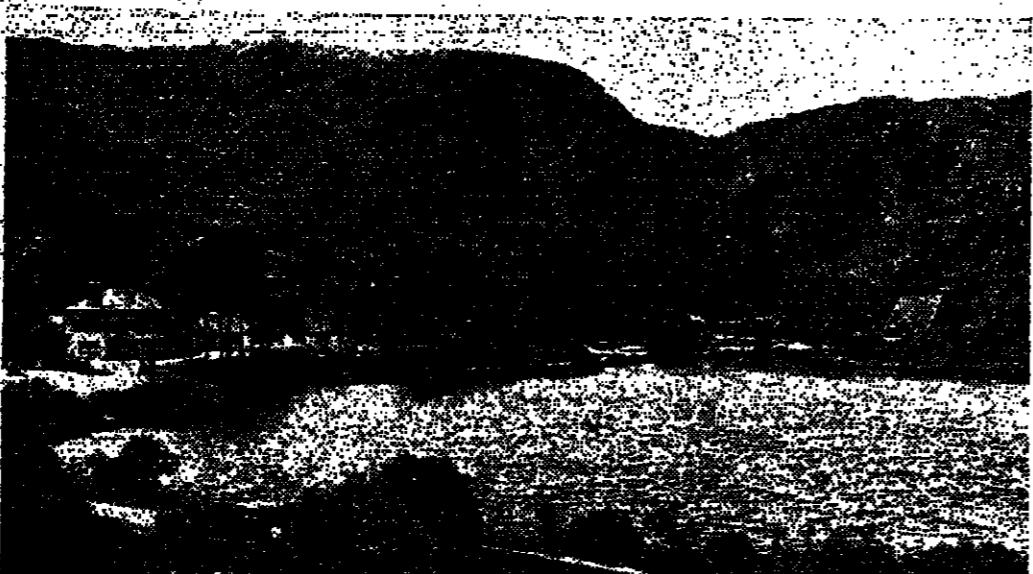
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IRELAND III

Key tourist revenue flagging



Gaugane Barra in Co. Cork, representative of the quiet charm for tourists of much of Ireland's countryside

THE IRISH tourism industry, which in normal circumstances is the country's largest invisible foreign exchange earner, is going through a difficult period. The world tourist trade is of course suffering as a result of many factors, including economic recession and the impact of increased oil prices on air fares. Ireland is particularly badly hit by most of them and is having to struggle to match last year's figures.

The volume of tourist business fell 3 per cent in 1979, dashing hopes of maintaining the momentum achieved in 1977 and 1978, during which time Ireland attracted a half million additional tourists. Not even the Papal visit to Ireland (said to have brought 30,000 visitors) proved equal to the task of offsetting the losses to tourism caused by the Post Office strike and petrol shortages during the early summer of 1979.

Revenue returns were about £240m (£360m), including home holidays and carriers, compared with £237.6m in 1978. This increase did not match the rate of inflation. A good year for tourism would have helped to alleviate the pressure on the balance of payments, which rocketed to an extremely high deficit figure for the financial year.

The year before had been the best ever for Irish tourism and virtually every part of the industry did well. The success of 1976, and indeed 1977, was attributed by Bord Fáilte, Ireland's tourist board, to the revitalisation of the industry and the efforts made by all sectors to work together in "aggressive marketing" of Ireland abroad.

Certainly there were changes in the structure of the market. Whereas in 1968 the total of visitors to Ireland was estimated to have come 68 per cent from Britain, 11 per cent from North America, 4 per cent from Continental Europe, 26 per cent from Northern Ireland, and 1 per cent from the rest of the world, in 1978 the pattern was 45 per cent coming from Britain, 15 per cent from North America, 13 per cent from Continental Europe, 24 per cent from Northern Ireland and 3 per cent from the rest of the world.

In 1978, for the first time, the total tourists exceeded 2m. This represented an increase of approximately 12 per cent on 1977.

Close on 1m tourists came from Britain in 1978, a 15 per cent increase on 1977 and the largest single increase ever achieved from Britain or any other market. The Irish tourist trade revelled in the fact that it was attracting the British visitor again after the sharp fall in numbers in the early seventies because of the Northern Ireland situation.

The recovery in British traffic to Ireland in 1977 amounted to an 8 per cent increase and a broadening in market appeal, i.e., an above average increase in growth in non-ethnic sectors was emerging. It seemed during the 1977-78 period that the purely British tourist (non-related Irish) was no longer inhibited by the political unrest in Northern Ireland.

It is, however, hard to assess what effect, if any, the murder of Lord Mountbatten in Co. Sligo last August will have on the market this year. It is thought that whatever anti-Irish feelings the event might have aroused in the short term, it will not affect to any great extent the numbers coming from Britain to Ireland this year, or damage the softening of attitudes towards Ireland which contributed to the revival of the market in the previous two years. None the less, it is recognised within the tourist trade that the Northern Ireland situation still places constraints on potential growth.

Bookings

The trend this year was frightening at first glance.

Gradually, however, the tourist trade identified a change in normal practice towards late bookings or no bookings.

For instance, one ferry reported in mid-June that on one occasion they had 22 bookings, but 92 cars arrived before departure for Ireland. The tourist bodies now hold a more optimistic view for the second half of this year.

In May, Bord Fáilte began a big promotion campaign in Britain. It spent £80,000 alone on radio promotion and within three weeks got 13,000 enquiries, with carriers report-

ing an increase in bookings. There is an obvious emphasis on carriers in this market as B and I and Sealink, among other operators, offer special fares, incentives and off-peak deals. (The jetfoil from Liverpool to Dublin, which seats 260 passengers, is popular with many.) Carriers are down about 8 per cent on projections at the moment, but this represents a great improvement on the figures for March.

Over 70 per cent of tourists come to Ireland in the period June/November. At the beginning of 1980 Bord Fáilte hoped for a 7 per cent growth in traffic. It does not expect anything near that figure now, but is anxious to match last year's figures.

Continental Europe proved to be the bright spot last year, with numbers rising about 7 per cent compared with 1978. It is now Ireland's fastest growing market. In June of this year a top level delegation from the Irish tourist industry, including Ireland's Minister for Tourism, Mr. Desmond O'Malley, and Bord Fáilte's managing director, Mr. Joe Malone, went to Frankfurt.

There the group told 70 major tour operators from Germany, Switzerland and Austria of attractive new package deals for late-season Continental visitors. The Irish Hotels' Federation, car rental operators and Bord Fáilte put forward a corporate winter programme for 1980-81. This consists of an agreement by hoteliers to set a uniform price for the programme (the idea being that it is better to have a full hotel with rooms at £8 a night than empty rooms at, say, £18 a night).

The package deal which should come to a price between £70-£80 per week, will include

about 35 different package holidays. This was in response to the drop in the numbers of American tourists to Ireland last year of about 10 per cent. The days of "Ireland on \$8 a day" are gone for good, though. This year fewer Americans are travelling to Europe in general, and this will affect Ireland. A further drop in numbers from the U.S. is expected by the end of 1980. Claims have been made by some American and German nationals that a holiday in Ireland is no longer value for money.

Festivals

Certainly, now that Ireland has its own currency, fluctuations together with a soaring inflation rate have made it more expensive to holiday in the country. (English visitors will themselves in exchange transact a nice few pounds for actions but they will still find Ireland getting more expensive.) Given that the inflation rate is not going to take a downward plunge, Bord Fáilte has emphasised to operators that they must try especially hard to give value for money, and more important, to be seen to be doing so by advertising and promoting themselves.

The scheme will come into operation in September and run until next March. Special air fares will apply—about half the normal return fare. The price from Dusseldorf, for about £176 per person all-in. Visitors will get a choice of 30 Grade A hotels. (In Dublin there are seven such hotels—i.e., those maintaining the highest standards by Bord Fáilte criteria.) Tourists will be able to travel all over the country and stay in different hotels. Bord Fáilte has put up £150,000 for a big advertising campaign in Europe, Britain and America this year, and the industry has put up another £200,000.

A big campaign was launched in the U.S. in June also offering

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Aideen Quigley

Seeking answers to energy problem

FOR A while last year the most widely-traded shares on the London Stock Exchange were those of Aran Energy. This is a small, Irish-based concern whose significance lies in the fact that it has a 16 per cent stake in the BP consortium which last year found oil off Ireland's west coast.

Who knows is prepared to say whether the find is a commercial one. But there will be more eyes than those of anxious Aran shareholders on this season's drilling results.

Even though oil from the Porcupine basin could not be ashore before the late 1980s—and perhaps not even that soon—the fact that oil was there would profoundly influence decisions which must be taken soon on Ireland's future energy strategy.

The importance of those decisions was emphasised by the establishment of a separate Department of Energy earlier this year. In part, this was to find a brief for Deputy Premier George Colley after his defeat for his party's leadership.

According to some reports, there have been familiar difficulties in persuading the civil service to treat the new Department seriously. But Mr. Colley has used his new post to bring the energy question before the public. In the circumstances it seems likely that the Department will remain and grow.

Dependence

The main problem is to reduce the country's dependence on oil, which now accounts for three-quarters of Ireland's power generation.

Projections from the Irish Institute of Industrial Research and Standards (IIRS) suggest the country should aim for a mix where roughly a third of energy requirements come from oil, a third from coal and the rest from a combination of peat, gas, nuclear power and renewable sources.

Definite decisions have been taken to increase the contribution from coal and peat. A 300MW coal-fired station is to be built and the Irish Peat Board is to middle of a major development programme.

This will double production of turf for domestic use and increase that for electricity generation by 40 per cent. The Board is also taking a look at peat bogs which were previously regarded as uneconomic but which could compete at future energy prices.

One of the first tests of the Government's commitment to an energy policy may be its attitude to the price of turf, now held at levels well below other fuels. Mr. Colley will be pressuring Cabinet colleagues to ease the price restrictions.

Peat is unlikely to provide more than 20 per cent of energy demand, however. The only other proven native resources is the offshore Kinsale gas field.

A decision must be made whether to build a £100m gas grid which could carry gas to consumers in Dublin and nearby towns. The advantage would be more efficient use of the gas instead of the present policy of using a third of the output for power generation.

There are also hopes that renewable sources could make a small but significant contribution by the next century. Four experimental windmills are to be built on the west coast, one of the windiest areas in Europe.

There may be more promise in biomass, using the vast tracts of bog left when the peat has been extracted. Experiments are already under way with quick-growing trees such as willow.

The decision on whether to build the country's first nuclear power plant appears to have been postponed. In part this reflects public anxiety after the Three Mile Island accident in the States but also results from a more cautious approach as to what Ireland's future energy demands might be.

As the UK experience shows, it is difficult enough to forecast energy growth in a developed industrialised economy. It is even harder in a developing one like Ireland's.

If the country is to provide employment for its growing population and raise living standards to European levels, there must be a natural resource, though of a different kind.

By a Correspondent

casters, particularly among semi-official bodies, are reluctant to imply that these rates might not be achieved when making their assumptions.

But if the assumptions are too optimistic, and if there is substantial conservation in response to price, Ireland may not need another power station until well into the 1990s.

Even then the IIRS believes the plant should be nuclear in order to widen the mix of energy sources. The proponents of caution say that by that time nuclear technology may well be cheaper and safer than it is today.

Advantages

The objective of widening energy sources is likely to remain, even if offshore oil is found.

The main advantages of such a find would be security of supply and a lessening of the dependence on the balance of payments, with an oil bill of over £280m this year.

But the Porcupine basin is yielding its secrets slowly. This is partly because of the short drilling season but also because ideas about its geology are changing.

Early belief that any oil-bearing basin would be a large one, have been modified and geologists are now talking about a "string of pearls," or series of small structures.

There is more optimism than ever that there are commercial quantities of oil. But extracting it from 1,400 ft of water in some of the world's wildest seas will pose enormous technical problems.

The British stockbrokers Wood Mackenzie have estimated the Porcupine field tested by the Aran/BP consortium could contain 300m barrels. This would supply Ireland's needs from the mid-1980s for 10 years. The Minister for Energy, however, has said the field may be nearer 100m barrels.

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IDA Ireland also has offices in Dublin, Amsterdam, Paris, Cologne, Stuttgart, Milan, Copenhagen, Madrid, New York, Chicago, Los Angeles, Houston, Cleveland, Menlo Park CA, Boston, Sydney and Tokyo.

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Black and white supplement.



IRELAND IS in the process of industrialising but can hardly yet be described as an industrialised nation.

The Republic has few natural resources—no oil (as yet) and no coal—so that even today

Latent weaknesses in the industrial structure

there is a total lack of heavy industries. Ireland does not make big tankers. It does not manufacture aircraft. It has little steel-making capacity, and there is no petrochemical industry to speak of.

The drive to industrialise—and thus create jobs which agriculture could not provide—has centred on light manufacturing industry. Capital for the process has had to come largely from abroad, as there was little available for investment in industry when Free State status was achieved.

The campaign to attract foreign capital really started in 1948 when the coalition government of that time set up the Industrial Development Authority (IDA), a body which in an updated form continues to flourish today.

The IDA acts as a catalyst for foreign concerns which wish to set up a base in Ireland. Today, with an operating budget of some £140m, it has a basic 11-point package of incentives. These range from grants for starting-up costs amounting to 40 per cent in the east. There are factory sites with subsidised rents or for purchase on easy terms. There are training grants and capital allowances. The IDA is also empowered to take equity stakes and arrange loans.

Despite all these attractions, the foreign money did not start rolling in until the 1960s. Until 1965 it was difficult in any event for it to do so because of protective barriers. The Protection of Manufacturers Act and the Anglo-Irish Treaty, both of that year, allowed capital to enter more easily.

Companies trickled in during the 1960s. The availability of a literate workforce anxious for work tended to offset the disadvantages. These include primarily the lack of industrial infrastructure. In addition the roads are poor and the telephone system remains the worst in western Europe.

The industrialisation drive really took quantum leap, however, when Ireland joined the Common Market in 1973. Once Ireland became a member, an American company, say, could by setting up in Ireland avoid the formidable battery of protective barriers against imports.

The charm of Ireland was further enhanced by the fact that there was no tax on able assumption that some 50

exports. Since there are nearly 400m people in the Common Market and only 3.3m in Ireland, the destination of anything manufactured in Ireland was obvious. US companies in particular—besides avoiding tariffs imposed by the EEC—could pay virtually no tax at all.

In the period from 1960 to the end of 1978 some £1.6m was invested in Ireland. This is a considerable sum when it is remembered that the country's Gross National Product (GNP) today is just £8.3bn.

Investments

Over 800 companies made investments. Of these more than half were from the U.S. and a further quarter from Britain. They embraced companies across the whole range of what might be called light manufacturing industry. There are 70 computer concerns, for example, but also just about everything else—from ventilating machinery to baby powder to hospital equipment and car components.

Under pressure from the EEC Commission, which felt the tax concession was against the spirit of the Community, Ireland agreed to alter the rules.

As from January 1, 1981, all companies will have to pay a standard 10 per cent rate of corporation tax.

A 10 per cent rate of corporation tax is unlikely, however, to make much difference to a large company's profitability, and the IDA hopes—recession in the U.S. and Britain notwithstanding—that investment will keep coming in.

What the drive to attract foreigners has meant for the ownership of industry is that there are 4,500 manufacturing concerns of which 900 are foreign-owned. However, since the figure covers just about everything right down to small cottage industries, the truer statistic for companies, say, employing over 100 people is probably that nearer 50 per cent are foreign-owned.

As for the employment profile, there are 245,000 employed in manufacturing industry (about a third of the total workforce). Of these roughly a third are employed in foreign concerns. Again, however, if one takes companies with more than 100 employees it is not an unreasonable assumption that some 50

to 65 per cent of those employed in the manufacturing sector work for foreign companies.

The IDA reckons that over the period 1960 to 1978 it approved or helped create some 150,000 jobs. Although the level of unemployment has not changed that much in the past ten years (it has remained fairly constant at 10 per cent), the jobs created mask some significant changes in the pattern of employment. Emigration has dropped dramatically. Moreover, there have been a lot of people leaving the land and declining industries like textiles.

The IDA estimates that of the jobs it has helped create some two-thirds of the total employed are in positions which did not exist ten years ago.

The IDA-driven and Government-backed programme for job creation through foreign investment can justifiably be called a success. There has only been one real disaster and that was when Ferenka, a subsidiary of Akzo, the Dutch concern, closed its factory in Limerick, making steel cord for tyres in November 1977 with the loss of 1,400 jobs.

There have been disputes at the Alcan alumina project, also in Limerick, where 1,300 construction and related workers have recently gone back to work after a two-month stoppage. Asahi, in Mayo, also had construction early on with construction.

Significantly, these disputes have all been in concerns where a large number of workers have been involved. In the smaller more typical project—say an electronics concern employing 250 workers—there have been few reports of unrest and strikes. Most strikes in Ireland appear to occur in the public sector.

The corollary, however, is that control is elsewhere. Ireland has not yet faced the problem that a boardroom far away, in perhaps Detroit or Dallas in the U.S., rather than the Irish Government, will make the decision to shut up shop and pull out.

Control of companies is loose, so foreign concerns can do this. It is still such a good deal for foreign companies in Ireland that—Ferenka aside—companies have not been pulling out. But this sort of situation could easily develop as investments get bigger.

S.D.

IRELAND IV

Farm incomes caught in squeeze

CONTINUING TALK of the bonanza for Irish farmers brought about by EEC membership makes it difficult to grasp fully the magnitude of the difficulties Irish agriculture is facing. But the facts are that in the two years 1979 and 1980 farm incomes are forecast to fall by over 40 per cent in real terms. Following the high expectations for farming following EEC entry it is hard to cope with this sudden reversal in the fortunes of the farming community.

The detailed situation can be spelt out as follows. Farm incomes in 1979 on the official definition are estimated to have fallen by 10 per cent over the previous year—though 1978, it must be admitted, was a prosperous year by any standards. Inflation last year was just over 13 per cent, so the drop in real income was almost 25 per cent.

Forecasts for this year indicate a small rise of 4 to 5 per cent in nominal farm incomes, but with inflation expected to be in the range of 18 to 20 per cent a further drop in real income of 15 per cent can be expected. The improvement in farm incomes relative to incomes in the non-farm sectors experienced during the transition years to full EEC membership has now been eroded.

Why has there been this sudden reversal in the fortunes of Irish agriculture? The principal reason is that farmers are caught in a squeeze between rapidly rising costs and almost static price levels. Farm input costs rose by 13 per cent in 1979 as a result of higher energy costs, domestic inflationary pressures and the rising cost of UK imports, and are forecast to increase by a further 16 per cent in 1980. On the other hand, prices received by farmers rose by a mere 6 per cent in 1979, and are expected to rise by little more than 3 per cent this year despite the 5 per cent increase in institutional prices agreed by the EEC Agricultural Ministers in June.

In previous years of high inflation Irish farmers were compensated for increased costs by devaluations of the Irish Green £. But there is no scope for relief from this source at present. The Irish Green £ is currently within the 13 per cent franchise or margin over the market rate, so monetary taxes on exports have been eliminated. While a devaluation of the Irish £ within the European Monetary System would provide scope for a further Green £ increase, this would only provide short-lived

relief as it would soon be eroded by inflation.

Interest charges in particular are proving a severe burden on those farmers who undertook borrowing for development in recent years. The Irish Farmers' Association has recently called on the Government to underwrite the exchange risk for farmers converting their borrowings in Irish pounds to cheaper foreign currencies to provide relief to their group.

Price/cost problems have been compounded by the lack of growth in volume terms in the last two years. Gross output showed no increase at all in 1978, and the forecast increase this year is between 1½ and 2 per cent. The Minister for Agriculture, Mr. McSharry, has tried to paint a more optimistic picture by suggesting that net output will increase by 7 to 8 per cent this year, but most of the improvement in net output will come not from increased gross output but from a fall in the use of inputs from last year's levels.

Disposals

Little change is expected in cattle output this year, accounting for almost 40 per cent of all output at a higher level agricultural output. Disposals than last year, but no increase in stocks is forecast. Cattle prices this spring have been disappointing, but are expected to be higher this autumn than last year, thus giving rise to a small price increase for the year as a whole.

A major problem for the beef industry is seasonal nature of supply, which results in less than full utilisation of factory capacity and creates problems of continuity in marketing. Irish factories therefore rely on intervention as an outlet for beef to a much greater extent than those elsewhere in Europe.

Irish beef producers are also angry at what they see as mismanagement of the beef market by the EEC Commission. The system of import levies and export refunds on beef operates in such a way as to encourage the import of high quality beef, in which the Community has a surplus, and to encourage the export of low quality beef for which the Community is in deficit. Nor are they happy with the various preferential agreements that have been concluded, such as the agreement with the Americans to allow 10,000 tonnes of high quality beef on to the Community market under the GATT Tokyo Round agreement, which adds to the pressure of supplies within the Community.

Milk production, the star performer in Irish agriculture up to 1978 with an average annual growth rate of about 9 per cent, between 1975 and 1978, has had two disappointing seasons. A late spring and reduced feeding in the later part of the year depressed yields in 1979 and the growth in output fell to just over 2 per cent. An even smaller increase is forecast for the present season. Uncertainty over taxation for larger producers, the EEC price proposals and the co-responsibility levy, and the growing attractiveness of winter cereals may all have contributed to the slower growth in output.

Although since 1978 Irish sheep producers have had a levy-free access to the French market which has resulted in significantly increased returns to sheep production, sheep numbers have continued to decline. However, the recent agreement on an EEC market organisation for sheepmeat should provide a secure market environment for expanded production.

One of the issues blamed by farm leaders for the present lack of growth in farming is Government policy towards farm taxation. In the wake of rising farm incomes following EEC accession in 1974, the then Government introduced income-tax on farming profits for a limited number of larger farmers. Although more farmers have been brought into the tax net since then, the yield from farm income-tax has remained small and many in the non-farm sectors have felt

that farmers have not been paying their fair share.

Successive governments have therefore introduced a number of supplementary taxes in an effort to increase farmers' overall contribution to the Exchequer. In 1976 the 1 per cent VAT rebate allowed to farmers to offset the VAT paid on farm inputs was withdrawn and later restored. In 1979 a 2 per cent sales levy (ostensibly to contribute towards the cost of research and advisory services in farming) was introduced and later withdrawn, and in 1980 a resource tax has been introduced as a temporary measure on larger farms. At the same time the notional option for assessing farm incomes for tax purposes based on a predetermined multiplier was withdrawn in favour of taxation on accounts only.

The Government has now declared that the present tax structure and tax thresholds (around 37,000 farmers out of an estimated 170,000) are now unchanged for a three-year period. However, the farm organisations are less than happy with the tax code, particularly in the light of the new 10 per cent tax rate for manufacturing industry to be introduced in 1981.

Limited

The whole question of farmer taxation has been referred to a Commission on Taxation appointed earlier this year, but the Government's room for manoeuvre is very limited. Any additional concessions to the farming community will further

incite the much larger PAYE sector who already feel they bear a disproportionately heavy share of the total tax burden.

Another domestic issue concerns the eagerly awaited proposals for the reform of land policy. The land structure problems often associated with a contracting agricultural sector—namely a high proportion of elderly farmers and a large amount of inefficiently used land—are compounded in Ireland by the unique stability conferred by almost total owner-occupancy. Government land policy has operated through the Land Commission, whose main function in recent years has been the purchase and allocation of land for the relief of congestion.

Three years ago an Inter-

example, the original Commission price proposals for 1980 contained a number of elements unfavourable from the Irish point of view.

The 2½ per cent price increase proposed would have given fine compensation to Irish farmers for rising costs. The proposed superlevy on milk production, which would have amounted to a tax of 56p on every gallon of milk produced beyond the 1979 level, would have removed completely the incentive to expand milk production. Other unfavourable elements were the proposals to reduce Ireland's "A" sugar quota and to suspend beer intervention for some months in the autumn.

Defeated

In the event the 1980 price package eventually agreed turned out to be less damaging to Irish interests. There is a 3 per cent overall increase in institutional prices, though, because of the supply/demand situation for some commodities and the co-responsibility levy on milk. Very little of this will be passed back to Irish producers of cattle, milk and cereals. The proposed superlevy was successfully defeated, though a threat to impose some disincentive on milk production if total EEC output grows by more than 1½ per cent this year remained. Both the Irish sugar quota and beef intervention arrangements remain unchanged.

In addition, two other elements in the package could provide useful aids for Irish farmers. A £1300m Western Development Scheme for infrastructural improvements and on-farm investment has been approved, to be financed jointly by FEOGA and the Irish Exchequer. There is also to be a new 'beer' cow premium scheme. One sting in the tail is the withdrawal of grants for dairy investment from farmers outside the Disadvantaged Areas who are not following a development plan.

In the long run, however, the problems of surplus production, the cost of the CAP to the Community budget and the consequences of the second enlargement, and the fundamental contradiction of pursuing a rural social policy through action on farm prices alone will not go away.

Such issues are for the future, however. For the present Irish farmers have breathed a sigh of relief that the much delayed prices package has been finally agreed, and have turned to grapple with more pressing and immediate problems of falling real incomes, taxation and land structure reform.

Alan Matthews
Agricultural Economist, Trinity College, Dublin

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Ireland

Just ask anyone who's been there.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

FEW UK companies can have gone through the upheaval of a double takeover in less than a year. From a management point of view the effect could only be both traumatic and disruptive especially if, as a result of deteriorating market conditions, it was then necessary to implement a painful programme of rationalisation.

This has been the experience of Weyburn Engineering, the world's largest independent manufacturer of camshafts for diesel engines. Weyburn, originally a sleepy little company with a market capitalisation of less than £2m, was propelled into the big time by Hugh Buckner and Ronnie Royston, two of Britain's more successful white kids of the 1970s.

They transformed it into a company with pre-tax profits of £2.8m and, when its market and fortunes were at a peak, sold out to the huge Carborundum Co. of the U.S. for £16.6m in May 1977.

Weyburn had just seven months with its new bosses; early the following year Carborundum, a company with net profits of around \$38m a year, was suddenly taken over by the giant Kennecott Copper Corporation, also of the U.S., for a controversially high \$557m. At the time the deal was the costliest all-cash transaction in Wall Street history.

Since then the enlarged group, which turned in record pre-tax income of \$165m in 1979, has undergone radical and unusual restructuring. Many of Carborundum's managers have taken over key positions at Kennecott, which affect the company's finances, employee relations, public relations and shareholder relations; while many division managers have lost their autonomy.

The changes have also resulted in a more centralised financial structure with tougher controls. At one stage Kennecott even considered selling Carborundum

How two swallows may lead to summer

Having endured two takeovers, Weyburn Engineering is now in the throes of major rationalisation. Arnold Kransdorff reports

to placate hostile shareholders who thought the original price too high. However, it decided instead to examine the possible divestment of certain operations.

Weyburn, it appears, is not part of this possible strategy—at least for the present. Plans are in motion to change its line of management, giving it a relatively more visible position in the group. This is a clear vote of confidence in the company in spite of an uncertain outlook.

Up to now Weyburn's management has been responsible to Carborundum under the overall Kennecott umbrella. As a result it has tended to be overshadowed by Carborundum's abrasives activities.

"On a day-to-day basis we have no direct contact with Kennecott," says David Hope, Carborundum's new European business manager. "Perhaps twice a year a Kennecott executive will visit us to assess results to date and discuss long-range planning, such as capital projects and new markets."

All business plans—annual as well as long-range—are submitted to the engine components division of Carborundum, based at Grand Haven, Michigan. It, in turn, submits them to Kennecott.

Under the new structure, however, from next year Kennecott will group Weyburn with the rest of its engineering companies in a separate division, making them responsible directly to the main board.

Hope thinks this change will enable Kennecott to "see our function more clearly," although he does not think it will make much difference to day-to-day management.

At one stage Kennecott even considered selling Carborundum

Meanwhile he is pressing on



David Hope—trying to push up UK productivity to German levels

with Weyburn's own rationalisation plans against the background of tough market conditions. The demand for capital equipment has eased markedly in recent years, leaving many manufacturers of diesel engines, pumps and generators on short time; only car manufacturers had been doing well, although the trend in recent months has been noticeably downwards.

Since the takeover by Carborundum in 1977, camshaft sales at Weyburn have lacked their previous sparkle. Between

1978 and 1979, when sales touched \$19.7m, there was only a small volume gain and the forecast for 1980—at \$22m—reflects a notable downturn.

Hope, aged 44, is an Englishman who has spent 18 years working in the U.S. for Honeywell, H. B. Maynard, Allis-Chalmers and Carborundum. His first four years in industry were spent in a graduate training programme in the UK while with George Bassett, the Sheffield-based confectioner.

In October last year Hope was seconded from a manage-

ment consultancy role with Carborundum to Weyburn's head office at Eashing, near Godalming, Surrey. One of his first moves was to divest the company of its small precision components subsidiary at Tunderbridge by selling it to the Hunting Engineering Group in April this year. This left the company exclusively as a camshaft manufacturer with factories at Eashing, nearby Elstel, Bath and Hamburg in West Germany.

The Hamburg factory, which accounts for about a quarter of

the company's sales, is extremely profitable. In current market conditions it is holding up better than the UK operation, which suffers from poor productivity and an unfavourable product mix.

Hope's aim, simply, is to boost UK productivity and improve the product mix. The former is likely to involve a 30 per cent reduction in the UK workforce while the latter will mean a shift in emphasis towards using more steel and less iron; steel requires more machining skills and thus generates a higher added value.

Hope illustrates the problem by comparing the UK performance with that in Germany—a comparison which he admits is crude but nevertheless admissible. In Germany less than 100 people produce revenue of \$2m a year while in the UK 500 people produce an annual revenue of \$2m—in terms of sales per head the Germans are thus almost three-quarters more efficient.

Part of the reason is undoubtedly due to the favourable product mix in Germany, which is geared entirely to steel products. In the UK only about 30 per cent of production is steel, the balance being cast

iron. Elsewhere the unions have given their approval for the existing bonus plan to be changed to a new flat rate incentive scheme. "The current system is geared to quantity not quality," says Hope.

He admits this will mean a considerable realignment of production facilities and consequent disruption but is hopeful that there will be almost immediate productivity benefits. His optimism extends to quoting a

productivity improvement of 40 per cent by the end of 1980—an achievement which would be exceptional given the extent of the internal upheaval in the pipeline.

In the first instance he intends to close down the factory in Bath and consolidate the operation into the Elstel plant, making about 100 workers redundant. The Elstel operation will then have to be expanded to accommodate increased capacity.

In terms of capital expenditure, many of Weyburn's 30 existing cam grinding machines, which would cost up to £150,000 each to replace, will either be reconditioned or rebuilt. Also, Hope intends to spend about £1m this year alone on sophisticated computer-controlled equipment to take care of bearing and cam grinding, the final operation in the manufacturing process.

The rest of Hope's strategy is confined to staff changes. The only aspect which still has to get approval from the unions is a proposal for a three-shift working day to accommodate the transferred work. At present the company operates on a two-shift cycle on short time.

Elsewhere the unions have given their approval for the existing bonus plan to be changed to a new flat rate incentive scheme. "The current system is geared to quantity not quality," says Hope.

There has also been no union resistance to the proposal to introduce multi-machine working which involves an operative running more than one machine.

Up to now the incentive scheme and lack of flexibility has meant a high rejection rate

on the production line, requiring more quality controllers than might otherwise be necessary.

Hope wants machine operators to take more responsibility for quality control. This will mean a greater number of interim checks, so operatives will be supplied with better measuring equipment.

In turn this should mean a reduction in the number of workers carrying out quality control—at present 56. Hope estimates that this figure will be reduced by around 40 per cent.

But while Hope may have a measure of control in getting the company in shape, he can have very little influence over the market place. Here, as an engine components manufacturer, his output is governed by the level of new vehicle sales: only around 15 per cent of turnover finds its way into the so-called "aftermarket". The company's market profile shows that about 70 per cent of camshaft production is destined for diesel application (the balance for petrol engines) and that cars, commercial and agricultural vehicles—all non-growth areas at the moment—account for roughly two-thirds of sales.

Its sensitivity to market conditions is illustrated by the fact that it holds about 45 per cent of the camshaft market in Europe not served by the original equipment manufacturers.

All this makes Weyburn's future highly uncertain, albeit perhaps through no fault of its own. Grouped with other of Kennecott's engineering activities it will have to bear the scrutiny of direct comparison with the more productive and profitable activities.

David Hope, who has been well schooled in the American way, knows this. Ringing in his ears must be Kennecott's threat to divest itself of operations which do not fit into the group's overall business strategy.



ing parts for guarantee work paid for by the manufacturer. Except for VW-Audi, no other German motor car dealer binds its dealers to a similar degree.

It is clear that if a manufacturer wants to restrict dealers in respect of parts made by other manufacturers, he will need to find a way of forcing him to accept such an onerous arrangement. The retailer may wish to be appointed as a registered dealer, but such pressure could not be applied in the case of repair garages. In the past German car makers exerted pressure by refusing to sell their original parts to independent dealers. But this practice was outlawed in 1972 when the Federal Supreme Court held that the intention of concentrating repairs in the manufacturers' own repair shops did not justify a refusal to supply spares to independents. A manufacturer, the court decided, may be market dominant in spares even if he does not dominate the market for the whole product. And a market-dominant enterprise may not refuse supplies in a discriminatory way, it added.

While motor car manufacturers can rely on copyright protection in the UK (on the strength of a series of judgments which are still controversial) no such protection is available on the continent of Europe. This is one reason why Volkswagen has tried to protect itself by contracting with its West German dealers and service shops that they are obliged to buy spare parts produced by other suppliers only through VW. It has been esti-

mated that VW's turnover in Germany in such spare parts amounts to over £500m per annum.

However, the German Federal Cartel Office has attacked this arrangement as an abuse of monopoly position,

and prohibited VW from impos-

ing such restrictions on its

dealers and service shops. The decision was confirmed last December by the Berlin Appeal Court, which held that the restrictions imposed on dealers and service shops by VW-Audi were "unreasonable" and could not be justified by the company's interest in protecting the "good reputation and competitiveness of its vehicles."

But German car makers are still allowed to insist on supply.

BL believes that in the UK it has no need to rely on the sort

Hard bargaining or coercion?

BY A. H. HERMANN

of arrangement used by VW because it can defend its spare parts market by means of the English copyright laws. But the company is finding that that area is now being undermined by EEC law. At present the EEC Commission in Brussels is considering two complaints against BL. One was made in October 1979 by Wyatt International, the UK agent of Leyland Innocenti. The other was lodged by TI Silencers. BL has accused TI of selling, without licence, silencers protected by BL's copyright.

BL had in fact brought an action¹ against Wyatt in 1975 when BL complained of an infringement of its copyright by the importation of spare parts by Leyland Innocenti, which was making Minis in Italy. BL claimed, under English law, that its spare parts should be protected during the designer's lifetime and for 50 years after his death; no such protection can be obtained in Italy where the parts, sold by Wyatt, were made.

The complaint lodged by Wyatt with the EEC Commission alleges that BL was abusing its dominant position in spares by invoking design protection. It argues that the parts were placed on the Italian market with BL's consent and, therefore, cannot be attacked by an infringement action in another EEC country.

In the case of Park Davis, the European Court upheld protection of a Dutch patent against infringement by import of pharmaceutical imitations from Italy where no patent protection for pharmaceuticals was available. BL is thought likely to benefit from the same reasoning in its dispute with Wyatt.

In the second complaint, BL is suing TI Silencers for infringement of copyright; it makes exhaust assemblies or parts reproducing the original parts made by BL. TI Silencers defended itself by arguing that

it did not obtain licences from BL to make these parts because the terms under which BL was prepared to grant such licences were "oppressive and contrary to the EEC rules of competition."

In a judgment² handed down on April 2 1980 Mr Justice Walton struck out these defences, holding that it was not an arbitrary and discriminatory abuse of a dominant position prohibited by Article 86 of the EEC Treaty to make licensing agreements under the terms offered by BL. TI Silencers appealed and the Appeal Court decision may be heard next year.

In order to understand the legal issues involved it is necessary to keep in mind that not all spares suitable for BL vehicles and sold by BL dealers, are protected by BL copyright. The parts suitable for BL vehicles are referred to as "BL application parts" and only some of these are "BL copyright parts." BL has granted licences for making of silencers to four UK companies.

Three of the licences provided that royalties should be paid on the entire range of BL application parts or components, manufactured or sold by the licensee and intended for use in vehicles made by BL or its predecessors. The fourth licensing agreement gives the licensee the choice, either to pay a 7 per cent royalty on copyright parts only or a 4.4 per cent royalty on all exhaust systems for BL vehicles sold by the licensee. This royalty would be reduced to 3 per cent in any three month period when sales of BL application parts did not include any BL copyright exhaust systems.

In the TI Silencers v. BL case, Mr. Justice Walton accepted that royalties were charged on all parts—including parts not protected by copyright—solely to facilitate calculation and concluded that

there was neither a restrictive practice prohibited under Article 85 nor abuse or discrimination prohibited by Article 86 of the EEC Treaty.

There is little doubt that it

will be argued on appeal that

licensing agreements of the

type concluded by BL exclude

competition and are therefore

illegal under Article 86.

In the one case where the

licensee has a choice to pay a

higher rate on BL protected

products, the courts will want

to know whether the 7 per cent

is not prohibitively high, so

that the licensee will always

choose the other alternative.

It is at least arguable that this

amounts to BL licensees having

to pay more for non-BL parts

than their competitors (as they

have to add the royalty to the

purchase price) and, conse-

quently, are discouraged from

selling them.

The problem is well known in

the U.S. The U.S. Supreme

Court has established the

principle that coercion to pay

royalties on unpatented prod-

ucts is wrong. More explicitly

a District Court held in the

Zenith³ case that Zenith

Research misused its domestic

patents by attempting to coerce

Ti Silencers into paying a

higher rate on BL protected

products.

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The lamb war goes on

By J. O. CHERRINGTON

THE LAMB WAR was originally a quarrel between France and Britain. Successive French Governments, even in election years, protected their sheep farmers against the importation of cheap British lamb by a series of import duties which matched market fluctuation and outright closure when duties no longer sufficed.

Until the coming of Mr Peter Walker as Minister of Agriculture no British Government showed much concern at French behaviour, although in the run up to the last election Mr. John Silkin, then Labour Minister of Agriculture, did refer the matter to the European Court, which eventually ruled against the French action. The British line was that the deficiency payments looked after British sheep farmers and ensured the housewife or consumer a good supply of reasonably priced lamb, plus even more reasonably priced New Zealand supplies.

Wider conflict

The French claimed not to be too worried about British lamb exports but objected to the free importation of New Zealand supplies to the UK. If the French market were to be opened the British would eat New Zealand lamb and export their own to France.

The recent sheepmeat régime, brought back in triumph from Brussels by Mr. Walker is proving on examination to contain the seeds not only of procrastination in its adoption, but of widening the conflict.

The essential trigger to its implementation would be an agreement with third country suppliers to limit their exports to the UK in return for a reduction in the GATT tariff of 20 per cent.

Negotiations with New Zealand are under way and could possibly succeed. But New Zealand is not the only lamb exporter to the EEC although by far the largest. The list includes Australia, Argentina, Uruguay, and several countries in Eastern Europe.

These countries are now insisting that they too should be consulted in any quota tariff reduction scheme which will mean that even if New Zealand agrees to some sort of limitation nothing can be finalised until all their claims are recog-

nised. But limitation is not enough. The new régime includes exports of Community surplus lamb from intervention.

The interested countries will have none of this.

The French are insisting that

if they are to agree to the scheme being implemented something will have to be done to stop the leaks through their own protective cordon. These

leaks have become important in recent years because imports of lamb from such countries as Belgium, Germany and Holland were not affected by the ban on British lamb.

Most of the 40,000 tonnes of lamb imported into France came from these three countries, none of them possessing much in the way of sheep flocks.

The truth was that British exporters found that by sending lambs or carcasses to these countries they could get into the French market duty free. Not only the British found this out.

One of the lesser known oddities of the EEC protective system is the free passage of goods between East and West Germany. Eastern European lamb is only one of the products to take advantage of this. Once over the border it is West German lamb and can enter the Community unlevied.

Licences

To counter this the French have now introduced licences for the import into France of lamb from Holland, France, Germany and Ireland by 30 per cent. The Irish are furious, after having received favourable treatment from France with free entry for their lamb in the past, that they are treated in the same way as anyone else.

So the matter is far from being settled yet. French farmers are not satisfied with the intervention price proposed and have told their Government so in no uncertain terms. The latest French measures are designed to keep the price of lamb high. British farmers who were hoping to get a 17 per cent boost in prices by July 15 under the new scheme are impatiently demanding their money and will not get it until everyone is satisfied. It could be a very long time. France has not lost the lamb war yet.

8.10 The Big Time.
9.00 News.
9.25 The Good Old Days.
10.15 The White Tribe of Africa.
11.05 Kojak.
11.55 Weather/Regional News.

All Regions as BBC-1 except as follows:-

Cymru/Wales — 5.55-6.20 pm Wales Today. 6.55 Heddif. 7.15. 7.45 The Family. 11.55 News. Weather for Wales.

Scotland—9.55 am Noah and Nelly in Skylark. 10.00 Jackanory. 10.15 The All New Popeye Show. 10.25-10.55 Take Hart. 1.25-3.00 pm The Scottish News. 5.35-6.20 Reporting Scotland. 11.55 News. Weather for Scotland.

Northern Ireland—4.13-4.15 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.55 News and Weather for Northern Ireland. 12.00 Open Door.

England—5.55-6.20 pm Look

9.30 am Paint Along With Nancy. 10.00 The Best of Families. 10.50 The Nature of Things. 11.40 Tree-Trunk Apartments. 11.55 The Underside Adventures Of Captain Nemo. 12.00 The Adventures of Rupert Bear. 12.10 pm Rainbow. 12.30 About Britain. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Live From Two. 2.25 Racing from Newmarket. 3.45 Cabbages and Kings. 4.15 The Whisper of Glocks. 4.25 How. 4.45 Maggie's Moor. 5.15 Survival. 5.45 News. 6.00 Thanes News. 6.35 Crossroads. 7.00 Don't Sit There. 7.30 Coronation Street. 8.00 Sounding Brass. 9.00 Women of Courage. 10.00 News. 10.30 Baby Love*, starring Amanda Barrie, Keith Barron and Linda Heyden. 12.15 am Close: Personal choice with Leo Aylen.

All IBA Regions as London except at the following times:-

5 Jack takes on railway dirty work (7)

6 Happen to accept job (4, 5)

7 Point to staid eccentric torturer (6)

8 They say take it to uncle's darling (6)

14 Gathered it could be sufficiently increased to make a tidy amount (7, 2)

16 Sublime article on cooking plant (8)

17 Ten creep chumsly into show (8)

19 Case of cheeky girl (7)

20 Girl one takes to shelter in the Holy Land (7)

21 One takes Tories correctly (6)

22 Copper seldom found poison (8)

23 Teasing product of threshing machine (6)

Solution to Puzzle No. 4.316

GOPPLME BIMHAD 1/2
1/2 1/2 1/2 1/2 1/2
ROTATE FZACTONIA
A E R A T O E
C A R D M A I L S T Y L E
A S I A 1 / 1 /
E C P O 1 / 2 2 0 1 / 2 0 1 / 2
A C N O E L A
G A M S C A D L E S C I C A R
E A 1 / 1 / 1 /
D A S I A 1 / 1 /
E X P L O C E 0 5 7 1 4 C I C O
S I L A R 1 / 1 /
S T A L A C E M B T M E

DOWN

1 Enters suddenly to explode wickedness (6, 2)

2 Do you mind this kind of dance? (6, 2)

3 Took action to get socially acceptable piano fastened (3, 2)

4 Become attached to current holiday island (7)

Sissinghurst—the best in the world

I AM in the happy position of being quite sure which is the best garden in the world. Naturally, I have not seen them all, but you have to expect strong prejudice from a man who is already sure that heathers are hideous in a garden. My choice is not unusual. The best of its class never is. In the next week or so, you can test my judgment by visiting Sissinghurst Castle Gardens, near Cranbrook, Kent, now in the keeping of the National Trust. Make allowances for the heavy rain, but you will never see such a garden anywhere else.

I need only say here that the world-famous garden was made from a derelict confusion of brambles by the Nicolsons in the 1930s. The site had once housed a glorious Tudor castle built round successive court yards until the Georgians, those arch-vandals, pulled it down. Round the tower and outbuildings, the Nicolsions made their pattern of interlocking gardens and vistas. Harold drew the farm line and saw to the perspective. I would rate him with Repton and above Brown and Latyng in the ranks of English garden designers.

Eighteenth-century gardeners took it for granted that moral and aesthetic attitudes belonged together. The plan of the Sissinghurst garden reflects the outlook of a man who appreciated taste as a mark of character in men and letters. Sissinghurst's garden plan is never out of season. It brings together so many different observations, the shape of the old Kentish threshing-floors, the elegance of a pleached French alley, the emphasis on Italian sculpture, odd fragments of journeys in Persia and Morocco and above all, the strong lines

of classic English yew, aligned with steps and well-groomed water or left to run across a plan which might otherwise fall into too many small rooms. They were matched at Sissinghurst to the natural genius of the place and held together by one man's point of view.

They were also, of course, lit up by Vita's sense of colour and romantic fancy. Its sources are

of classic English yew, aligned with steps and well-groomed water or left to run across a plan which might otherwise fall into too many small rooms. They were matched at Sissinghurst to the natural genius of the place and held together by one man's point of view.

It is one reason why Sissinghurst is so much finer than its rarefied contemporary, Hidcote Manor in Gloucestershire, where you would never see a Sweet William being loved. Vita's writings on plants are born from pure genius. It would be possible to put most of her poetry in its place and not be so polite about most of the

her exotic love of garden scents were truly romantic.

The big books of the old Country Life series, the titles of Weaver, Jekyll and Elgood are the backdrop to gratitude for old silver and red brick but covers less than a quarter of an acre. Any cottage-garden could develop the idea and learn from its ground plan. I know none which does.

Secondly, know-all's like to say the garden is not what it was in the 1930s and that it has gone downhill. "But the opposite seems to me to be true. Since Vita's death in 1962, the garden has picked up after a slow start. It owes an enormous debt to two female gardeners who understand her principles and have pursued them with discretion that eludes most other National Trust gardens. Ground cover has been kept out. Vita herself saw value in rare and ignored plants, but she never had the Trust's range of plants to draw. The 1970s have added new plants in keeping with the old colour-schemes until the place is now a plantsman's paradise.

Last Sunday, two women visitors were making notes on a blushed pink Clematis which was spreading through an established shrub. "You can see how she likes to train one thing over another," they remarked. Vita Sackville-West died nearly 20 years ago. But they were right. She liked to train things, and the garden is still hers, true to her vision of plants.

I will end by countering two frequent criticisms. These plantings, sceptics say, were all one well-wooded pink Clematis which was spreading through an established shrub. "You can see how she likes to train one thing over another," they remarked. Vita Sackville-West died nearly 20 years ago. But they were right. She liked to train things, and the garden is still hers, true to her vision of plants.

GARDENS TODAY

BY ROBIN LANE FOX

worth pondering, for it is this which qualifies her for the biographies which her life is beginning to attract. I hope that her gardening will be properly appreciated and described by them. She combined a passion for Tudor style, perhaps to the point where she could see no others clearly, and a recurrent strain of Orientalism fed by her own journeys through Asia. She also knew her Edwardian borders, the colour-principles of Miss Jekyll and her style, the whites, silvers and informal groupings of the Surrey school of the early 1900s.

When I made the early discovery that I liked gardening, I would bicycle miles to the one public library which stocked them and would return after school lights-out to a world of clematis on wire netting, white gardens and barn owls, roses called Nuits de Young, the unknown Indigofera and the ability to see the tracery of great cathedrals in an avenue of winter elms. Her ascetic hatred of gadgets and

prose which she wrote about travel and history. But her newspaper articles on gardening were reprinted for hundreds of thousands of readers in books whose titles range round the words in *Your Garden*. They are still far the best books which I know on the subject.

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THE ARTS

Television

Mystery and mystification

by CHRIS DUNKLEY

It is surely time that all of us—particularly critics, who are too often lily-livered, have the public too if we are to have any effect—started to use protest and if necessary ridicule against those who employ obscurity, ambiguity, and unnecessary complexity in their attempts to impress us with their profundity. The thought is prompted by Saturday's broadcast of *Waiting for Godot* on BBC2 and Sunday's screening of *Jane Austen in Manhattan* on the "South Bank Show".

It is hard to imagine two dramas contrasting more greatly in style: the first performed on a stage (in studio on this occasion, of course) and the second being filmed mainly on location in New York City; the first spare to the point of meanness in its setting; the second vividly photographed by the great cityscape cameraman Ernest Vincze who, here, presented New York as a grubby ramshackle if still vast and impressive metropolis.

Godot uses a combination of techniques which have been given various odd names—"expressionism" and "theatre of the absurd," for instance—to convey a ragbag of vague thoughts about existence, religion, reality, and so on, always in a non-realistic one might fairly say unrealistic, manner. The play is particularly notable for its lack of plot.

Jane Austen in Manhattan on the other hand, seems to have half-a-dozen plots, though eventually it becomes evident that we are being offered the same story (kidnap and ransom) over and over again in different hats. Whatever the headgear, though, realism is always in the background and usually in the foreground too. Thus the two worlds are in many fundamentals dissimilar.

The similarity lies, first, in the way that they were served up to us, with a seriousness verging on reverence; and, second, in the discrepancy between that veneration and the actual achievement of the two pieces.

We were given only the last quarter of Beckett's play, it being one of three extracts making up a programme called *Drama from the Open University*. The performances from Max Wall and Leo McKern as the tramps were, considering the limitations of the material, quite remarkable. In fact, they were superb as technical exercises, but no more satisfying for the audience than would be a

Rubinstein concert devoted solely to scales.

Yet when it was over, Sir Huw Wheldon, a man whose gifts and instincts as a storyteller would seem to stand in precise opposition to everything that Beckett represents, murmured in lyrical tones about the symbolic power of the lone tree in *Godot*. The irony is that Wheldon, with all the natural explicitness of the born communicator, managed to convey as much in 15 seconds as Beckett achieved in 30 minutes.

These are those who will accuse me of being too literal minded and who will defend Beckett in the same terms as they will defend the sillier posturings of abstract painters and sculptors, saying that their work acts as a useful trigger releasing the thoughts and imagination of every onlooker. But that is virtually no achievement at all; the same success could convincingly be claimed for a random collection of garbages.

The genius of the true artist is, surely, synthesis and communication and—as Tom Lehrer so memorably declared—if you have difficulty communicating the least you can do is shut up about it.

That is not to deny the great value and fascination of mystery, even unexplained mystery, which has, of course, been appreciated by every good playwright from Shakespeare to David Rudkin. It is to deny the value of deliberate mystification, and it is very hard to banish the suspicion that mystification was being used in *Jane Austen in Manhattan* to create a sense of complexity and profundity in a work that had nothing complicated or profound to say.

This time the introducer was Melvyn Bragg (a former Wheldon protégé, incidentally)

and though he made no inflated claims for the work he did not, either, subject it to the sort of critical probing which we have come to expect from him on the "South Bank Show". This was understandable enough, if inconsistent, since on this occasion his role was that of the impresario who bought the rights to the lately discovered Jane Austen playlet and commissioned James Ivory and Ruth Prawer Jhabvala to film it.

They took what seems to have been a very slight story of abduction and twisted together three—arguably four—versions of it: one in a supposedly modern off-Broadway style, and one in the style of a Mozart



Anne Baxter and Robert Powell in "Jane Austen in Manhattan"

opera, each being the work of competing New York theatrical groups which, within the Ivory/Jhabvala film, vie for the Jane Austen script and for the patronage of the moneyed arts community. Predictably the Ivory/Jhabvala film is itself a modern day version of the kidnap story with the young actress "abducted" by the reputed Svengali-like leader of the modern group and held in his thrall.

The film did have strengths, notably its wry almost cynical picture of the dilettantes of the New York arts Establishment, its digs at the traditional musical in which the straight man stars (called "Here we are again," and featuring such wickedly accurate lines as "Summer, autumn, winter, spring/All I want to do is sing") and at fringe theatre idiosyncrasies ("Pierre wants me to play this clergyman as a 10-year-old boy").

But it was the niggling queries raised and left to mystify which were so annoying—and I do not mean the question of why Robert Powell with little except good looks to command was chosen to play the supposedly hypnotically powerful Pierre. I mean such questions as:

Why immediately after Bragg had explained that the Austen manuscript was sold in London for £18,000 the film showed it being sold in New York for \$55,000?

Whether the slight failure of lip-synchronisation in the opera was a mistake or, as I suspect, deliberate and if deliberate—why?

And most important of all since the film implied that it had something significant to say about the nature of theatre. Why the fringe production was staged in an all-white box complete with trapdoors thus obviously parodying Peter Brook's *Midsummer Night's Dream*? Even if you disagree with those of us who believe that that *Dream* was the greatest theatrical event of the last 30 years, you cannot alter the fact that it was staged in 1970 and the style would hardly find favour with an extremist fringe group in 1980. So once again—why?

I believe it is the job of the film (the play, the programme) to answer any questions such as these that may raise or to say why it cannot. In public there is rarely justification for the sort of shorthand codes used between friends, and where mass communications is

concerned absolutely no virtue in obscurity.

Pirandello wrote a play which was also concerned with the nature of theatre and which, at times, also involves mystification: *Six Characters in Search of an Author*, part of which was shown in the Open University set that Pirandello mystifies his audience as part of a bigger plan and does answer his own questions later—or most of them, anyway, even though BBC 2 could not find time to show us that.

This was a pity since the cast, like that of *Waiting for Godot* and *The Grand Inquisitor* which featured John Gielgud, was glitteringly starry. Unfortunately the direction in each case was less distinguished. Though the OU's desire to display the variety of its wealth was understandable I would have much preferred simply to see the whole of *Six Characters*, thus getting the full benefit from the work of a master, and simultaneously being spared the pretentious opacity of Godot.

It is a rare pleasure to hear a choir of this quality in a church not too large, (as cathedrals usually are) for the available volume of sound: the Norman nave and apse provided resonance without echo or that juncture.

Earlier the Parley of Instruments gave Purcell's reconstructions of a Purcell Suite in G believed to belong to a play and, judging from this too demure reading, less rewarding than most of his incidental music. Britten's wedding anthem "Amo ergo sum" is a delightful piece from his vintage years of choral writing.

were remarkable for lightness and clarity, the boys' runs beautifully supple, with a flexibility even these expert lay clerks could not rival in the tenor and bass lines. There was some flagging in the central part of "Singet dem Herrn," the final work on the programme, perhaps the result of waiting through a Suite of Croft's music for *Courtship à la mode*, worth hearing but too long at that juncture.

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RONALD CRICHTON



"View of Santa Lucia" by Pietro Fabris

Naples

The Bourbon Show by WILLIAM WEAVER

Two hundred years ago (later, confusingly, Ferdinand I of the Two Sicilies) summoned painters and sculptors, established the porcelain works at Capodimonte, a tapestry manufactory, they encouraged cabinet-makers and silversmiths, as well as singers and composers. They restored the royal palace, began construction of other palaces at Capodimonte, Caserta, Portici, and elsewhere; and they sponsored

the construction of public buildings like the massive Albergo dei Poveri and the church and square of San Ferdinando, which still gives Naples its visual distinction. Like so many royal families, the Bourbons declined, and the last king of Naples, poor Francis II, known as Francesco II, after ruling just over a year, cut a sorry figure at the time of Garibaldi's advance and triumph. In the aftermath of that victory, and in the years of the Savoy dynasty, Italian historians treated the Bourbons badly, emphasising their mistakes and misdeeds and overlooking their very solid achievements. Only Sir Harold Acton's two splendid volumes (*The Bourbons of Naples* and *The Last Bourbons of Naples*), in the 1950s, somewhat redressed the balance. And now—thanks to some current first-rate art exhibitions—the 18th century Naples of the Bourbons will perhaps be seen in more just perspective.

Officially the exhibitions are called *Giuria del '700 a Napoli* (1734-1799), or "18th Century Civilisation in Naples"; but everyone here calls it, more simply and equally correctly, "the Bourbon show." The main exhibition is, appropriately, in the palace of Capodimonte, and it is a revelation. On arriving in the city, Charles III found some distinguished artists—notably the venerable Francesco Solimena, here splendidly represented—and he quickly brought more. He and Ferdinand naturally commissioned countless portraits, and also frescoes, panels, decorative works. They also liked to have pictures of their various estates, and a whole landscape school developed (and continued well into the 18th century).

The presepe, or Christmas crib, is not an exclusively Neapolitan institution, but in Naples it was for many decades a ruling passion with many people. Acton described the royal family at work on theirs: "Charles himself designed and modelled the settings [...], dabbling in clay and cutting up cork for the manger, while the Queen and Princesses sewed and embroidered costumes for the figures, each according to scale. The Bourbons' private crèche has been lost, but a beautiful facsimile has been created at Capodimonte with 18th century figures, all made by leading sculptors of the time.

Teatro della Pergola, Florence

Caccini's Euridice

by WILLIAM WEAVER

The Medici fever continues to rage. Astronomical numbers of visitors are still fighting their way through the various shows in Florence, while in other smaller Tuscan cities—Siena, Arezzo, Lucca, among them—more shows open to complement the big "Florence and the Tuscany of the Medici in the 16th Century," sponsored by the Council of Europe in the capital (and already twice reviewed on this page). As a musical counterpart, the Maggio musicale has included in the programme of this year's festival the *Euridice* of Giulio Caccini, singer and composer to the Medici court, and member of the revolutionary group of artists and theorists, the Camerata del Bardi.

Caccini's opera, however, as the production which opened here at the Teatro della Pergola recently demonstrated, is a work of considerable elegance and moving, sensitive vehicle for the lovely text. This Florentine revival seems to be the first since the 17th century; it certainly should not be the last. And, for that matter, though not without some flaws, the Maggio's mounting could profitably be borrowed by other theatres and festivals.

Its most immediate merit lies in the sets and costume by Pasquale Grossi. The women's dresses and the men's knee-breeches and cloaks had a Medicean cast, but were not mere copies; the colours were subtle, and the use of white for the Infernal Inhabitants was stunning.

The central section of the set was a grotto-like *sala terrena*, hinting at the Pitti, with other rooms opening off it and a kind of veranda at the rear. When the scene changed to the lower world, the grotto was festooned with icicles, a Dantesque frost. Perhaps as a reference to the 16th century fascination with stage machinery, the set did tricks: backgrounds changed, stairs disappeared. At times this was distracting, especially when the soloists were singing (the shifting elements were not silent).

St. Bartholomew

Winchester Cathedral Choir

The main musical business of the Festival of the City of London began on Monday with two concerts in the Old Library, Guildhall, the London Virtuosi Chamber Ensemble under John Georgiadis played Handel, Bach, Mozart and Boccherini. I chose a choir of this quality in a church not too large, (as cathedrals usually are) for the available volume of sound: the Norman nave and apse provided resonance without echo or that juncture.

It is a rare pleasure to hear a choir of this quality in a church not too large, (as cathedrals usually are) for the available volume of sound: the Norman nave and apse provided resonance without echo or that juncture.

Earlier the Parley of Instruments gave Purcell's reconstructions of a Purcell Suite in G believed to belong to a play and, judging from this too demure reading, less rewarding than most of his incidental music. Britten's wedding anthem "Amo ergo sum" is a delightful piece from his vintage years of choral writing.

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Wednesday July 9 1980

Why the Bank took a view

Mystery

The extent of the uncertainty about banking June is revealed in one telling fact: the Bank of England has quite unusually hedged its muted estimate of the implied growth of the money supply. Usually this is issued with no more comment than is implied by saying that monetary growth is thought to have been "about" some given percentage; but on this occasion, there is a warning that the rough estimate offered, of a rise of 1 per cent in Sterling M3, may have to be revised as more information becomes available.

This is hardly surprising, because the figures are a mystery wrapped in an enigma. Apart from the familiar distortions arising from extreme tightness in the money markets, which led to unusual transactions between the authorities and the banks—and which are known in detail in Threadneedle Street, though not in the outside world—there are two major unknowns.

The first is the behaviour of foreign investors. Since the fall in U.S. interest rates have left sterling exposed as the sole major currency offering a return above the world rate of inflation, there has been a heavy foreign demand for sterling assets of every kind. Some buying has gone into gifts, and the authorities cannot at this stage be certain how far their heavy funding in recent weeks has attracted investors outside the banking sector. Foreign banks have been among the buyers.

Offshore investors have also

been large purchasers of UK commercial bills. This does not affect the money supply figures, since these holdings were no doubt financed through non-resident sterling deposits, but it does add to the difficulty of interpreting the figures for bank lending. When UK banks sell bills, there is an apparent fall in lending which is deceptive about underlying trends.

These distortions alone might have discouraged any move on interest rates, since they point to a danger that the figures will tend to overstate the success achieved in funding and underestimate the demand for credit; but there are others. The figures show another striking fact: the clearing banks have collectively jumped the gun ahead of the official end of the supplementary special deposit scheme—the "corset"—on the June make-up day.

Despite the fact that some of the transactions concerned will attract penalties into this month and August, the banks pushed some 81 per cent beyond their official limit for interest-bearing liabilities, in their eagerness to compete for the new business now open to them, notably in the local authority market.

The effect of these domestic distortions is to exaggerate the apparent rate of monetary growth; they in fact anticipate the unwinding which has always been expected with the end of the corset, which was itself a major distortion of the market. The authorities have always made it clear that they were ready to take a long view of these predictable developments.

Foresight

Three general conclusions follow from this long tale. First, the Bank can be congratulated on commonsense and foresight in acting on its feel for the real economy, which is clearly in recession, rather than waiting to unravel the arcane technicalities of the figures. Secondly, official caution about the timing of any future cut in rates explains itself: the first move was something of an act of faith. Finally, though, the authorities should reflect on how far they have been the authors of their own mystification. The corset is gone; we still await funding techniques which will not so readily attract overseas speculation.

A Russian gain in Asia

Position over Kampuchea. What has in part annoyed the members of ASEAN—Thailand, Malaysia, Indonesia, the Philippines and Singapore—has been that India promised consultations with them before it went ahead. These do not seem to have taken place. The ASEAN members are likely to vent their anger by curbing trade and joint ventures which have been growing substantially of late as India has sought new markets in South-East Asia for its engineering goods. This was a risk that Mrs. Gandhi must have taken into account in her decision.

But she no doubt also believes that ultimately Vietnam will strengthen its hold over Indochina and that in those circumstances India, as one of the larger regional powers, will have an influential role to play in negotiations over any political settlement in Kampuchea. For the moment, in so openly siding with the Vietnamese, India has weakened ASEAN's hope for a settlement based on a Vietnamese troop withdrawal.

Violated

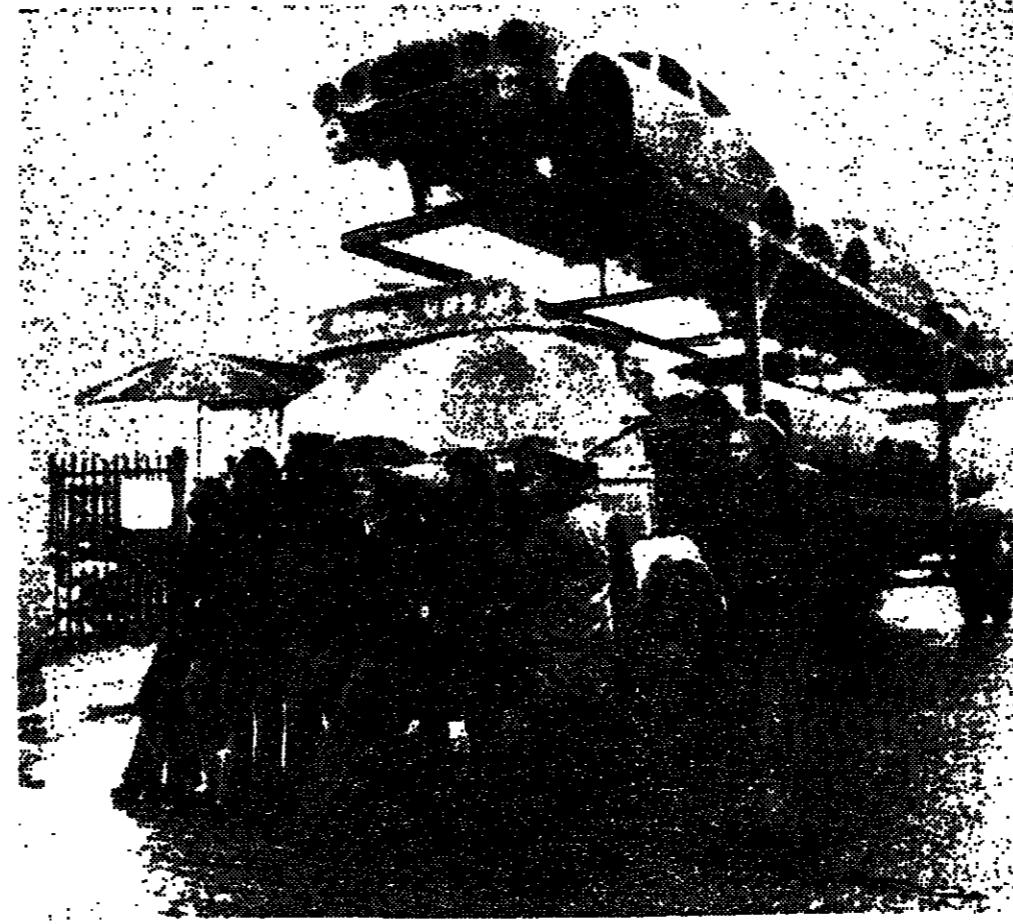
Almost certainly Mrs. Gandhi will have wrung out of the Russians the best possible terms as her price for climbing off the fence. She recently purchased large quantities of Soviet arms on cheaper terms than the Russians normally extend to their friends in the third world, and other economic deals are in the pipeline. But ultimately her decision reflects a belief in New Delhi (as indeed in neighbouring Pakistan) that the Soviet Union has the edge over the U.S. in projecting power in Asia and that this is a fact of life with which the regional States must come to terms.

Nonetheless it also marks a further weakening of India's stature amongst the non-aligned. The Vietnamese in their invasion of Kampuchea violated the principle of non-intervention in the affairs of another state.

This is a principle at the cornerstone of the non-aligned movement and one which India would once have supported. Thus the hope must be that India's recognition of the Heng Samrin regime, like its initial defence of the Russian invasion of Afghanistan, is one of those blind spots of Mrs. Gandhi that she will later regret.

West Midlands bosses find they have the upper hand

BY ARTHUR SMITH, Midlands Correspondent



In militant mood: Leyland toolmakers stopping a lorry at Castle Bromwich in 1977

If THE Government wanted evidence that its tough monetary policy was having an effect on Britain's workforce, it need look no further than the West Midlands. In the country's industrial heartland — with a disproportionately high 46 per cent of employment in manufacture — modest pay settlements are being agreed as the recession deepens and the number of layoffs mounts.

Major Peter Forrest, director of the West Midlands Engineering Employers Association, reports that pay settlements have already dropped from the 15 per cent average of last winter to around 10 and 11 per cent. "Attitudes are changing on the shopfloor because of the redundancies and obvious problems of industry. There is a new mood of realism."

Mr Reg Parkes, chairman of Brockhouse and of the regional council of the Confederation of British Industry, says: "Companies are reporting less militancy and less hassle in negotiations, with agreements being struck at lower levels than last year." He maintains that fears held by many company executives as recently as six weeks ago that workers' frustration over pay and price rises could result in a winter of discontent had now receded. "Job security rather than the level of inflation is likely to be the main concern in the forthcoming pay round."

The dramatic change in mood of a workforce traditionally noted for its independence and militancy is explained by Mr. Chris Walliker, director of manpower at Delta Metal and chairman of the regional CBI. "The speed and severity of recession surprised everyone. Suddenly orders dried up, cash flow was hit and stocks ran down."

Indeed plant closures and redundancies in recent weeks amount in a roll-call of the high and mighty, with Lucas Electrical announcing a cut of 3,000 jobs, GKN Forgings 2,100, GKN Sankey 930, Carbury-Schweppes 700, and Renold 800. Cuthacks in the automotive industry, which accounts for one in six jobs in the region, are gathering pace with redundancies sought at Wilmot Breeden, Associated Engineering and Automotive Products.

Complaints about the weakness of James Prior's Bill to curb the power of the trade unions reflect the remote Westminster and Whitehall view of industrial relations. The reality is that employers already have the power over the trade unions — the power to pose workers with the choice between a realistic pay deal and short time working or redundancies." That hard-headed view, expressed by the personnel director of a leading Midland engineering company, typifies the tough stance many employers are now adopting in pay negotiations.

Mr. Bert Benson, secretary of the West Birmingham district of the Amalgamated Union of Engineering Workers, main

tains that half the 110 companies with which he deals are declaring redundancies or short-time working. "It is a terrifying picture — worse than when I came to Birmingham in 1980."

Statistics from the Manpower Services Commission show that 1,320 companies in the West Midlands had given notice of 60,600 possible redundancies in the first six months of this year compared with 20,441 in

the comparable period of 1979. Nor is there any sign of improvement: the latest survey of business confidence conducted by the West Midlands Chambers of Commerce indicated the "worst situation" on record. More than one in three companies had reduced their workforce in the past three months and 41 per cent envisaged cuts in the near future.

Against such a troubled background the opening statement by Lucas Industries in negotiations with its 66,000 strong workforce is understandable. According to Mr. Ernie Hunt, secretary of the Birmingham South district of the AUEW, the company's "take it or leave it" 10 per cent offer made last week was

inspired by the Government and represents "a backdoor form of incomes policy."

However, the experience of the past 12 months suggests that Lucas is following rather than setting a trend as Britain's troubled motor industry reacts to the twin pressures of high labour costs and the sharp downturn in demand.

Talbot UK, owned by Peugeot S.A., of France, set the pace last year suffering a three month strike to impose a 51 per cent pay deal at its Midland factories. Union leaders demanding an increase of well over 20 per cent to take effect this month have again met with a sharp response. Talbot insists the 20,000 strong workforce must be realistic about what the company can afford. An 8 per cent increase has been offered plus another 7 per cent from April 1 next year provided the unions agree to an 18-month deal.

Talbot must be encouraged that as yet there has been no sign of militancy from the workforce at a basic offer pitched at only around half the current rate of inflation. The company points out, however, that a self-financing incentive scheme—the cause of much bitterness during last year's strike—can yield still higher earnings.

The refusal of Mr. George Turnbull, the Talbot chairman, to budge last year from his 51 per cent offer even in the face of a shutdown of the Coventry plants, certainly had its effect on the workforce and paved the way for improved working practices. His call for management right down to

foreman level to assert executive authority and give leadership to workers has also met with success. Talbot claims that productivity has already been raised by up to 30 per cent, but is insisting in negotiations that further progress must be made to lift performance to that of Continental competitors. Mr. Turnbull in a message that appears to have got through to the shop floor has made clear that high efficiency will be crucial to continued investment in the UK operation by the French parent.

Developments at BL Cars

where the militant shop stewards traditionally set the pace for pay claims, have also had an impact upon the Midland industrial relations climate.

Mr. Geoffrey Armstrong, the employee relations director, claims "a significant change" in workers' attitudes

to the reform of industrial relations is misguided."

The CBI nationally is urged "to recommend immediately a major curtailment of trade union immunities."

Indeed, the contrast between the pressures on management now compared with just four years ago is dramatic. Then, a Labour Government, highly dependent upon union support and committed to worker participation, was pushing for expansion of British Leyland under the Ryder Plan. Now, the workforce stands divided and demoralized in the face of hostile public opinion. A Government that has stressed it will not shrink from denying further special aid, declining markets both at home and overseas, and more than 25,000 planned redundancies.

Mr. Povey maintains the lack of militancy extends well beyond BL: "I have never known Midland workers so docile. They have been punched and battered by the flood of redundancies and short-time working. There is a feeling of despair and resignation—that they must let this Government, much as they detest the policies, run its course."

Another factor highlighted by a senior AUEW official is the drain on union revenue

caused by mounting unemployment.

"Trade union either

consciously or not are beginning to look to their members before deciding whether to dispute official. We have got to the stage where issues are not being considered purely on their merit."

The economic situation is affecting the approach of union officials and

Mrs Thatcher is winning."

Mr. John Warburton, director of the Birmingham Chamber of Commerce, says the rapidly worsening state of trade has removed what little enthusiasm employers might have had for a renewal of incomes policy.

"Any ceiling imposed now

short of a statutory freeze would almost certainly be more than many companies can afford to pay."

The chamber has put off plans of only a few weeks ago to force the Government to set up a national forum to discuss pay settlements. "In present circumstances anything that might

be acceptable to the unions would not be acceptable to companies," Mr. Warburton says.

Even granted the reality of the present shift in the balance of economic power from the trade unions to the employers, the West Midlands region of the CBI is still calling for legal legislative action. The Regional Council, meeting in Birmingham yesterday to decide policy for the CBI national conference, considered a resolution arguing that "the gradualist approach to the reform of industrial relations is misguided." The CBI nationally is urged "to recommend immediately a major curtailment of trade union immunities."

Mr. Povey insists that

BL is adopting a realistic approach to match the performance of its competitors. "We are not embarked upon a hard-line crusade."

One top executive said: "We are not Margaret Thatcher's storm-troopers."

Mr. Phil Povey, a Midlands AUEW official, takes a more cynical view of BL's progress:

"The ability to force through previously unacceptable changes is directly related to the present climate of fear and uncertainty about jobs. It is easy to get agreement when employees can see a falling market and their only expectation is further closures and the possibility of redundancy pay."

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Searching for a magic formula

A REMARK attributed to the distinguished American newspaper columnist, Mr. James Reston, is that Americans will do anything for Latin America except read about it.

Anyone trying to report on Northern Ireland these days knows the feeling—even though at the moment yet another crucial attempt is being made by the British Government to find a political solution to the troubles of a province which has been rocked by violence which has lasted ten years.

The British do a lot for Northern Ireland. The taxpayer keeps it afloat economically to the tune of a net payment of around £1bn a year, and the British Army helps to police the province.

But most British are no longer interested in reading or talking about Northern Ireland. This comes as a surprise to many people in the province, but it is certainly true in my experience.

When I am in London and talk about Northern Ireland people still yawn, look at their watches and decide it's time they had an early night. Many friends and colleagues find baffling all the talk of prime ministers and cabinets, for a population no bigger than that of a county council—which surely all the place needs is a Lord Mayor?

But above all many people are simply weary of hearing about the unending horrors. After 19 years of killings, the violence mostly produces a dulled response from anyone not directly involved.

When you ask even moderately well informed people in London what they think about Ulster as likely as not they tend to come up with the kind of dangerously flippan answer that used to be bandied around about Cyprus when there were trouble there: pull out the British troops, let the two communities fight it out and give

the place to the largest number of survivors.

No British Government could take responsibility for the virtual civil war which would follow a precipitate troop withdrawal. Certainly the present Government is not contemplating it. Mrs. Thatcher's view, rightly or wrongly, is that political devolution to local representatives—a "political solution"—will help to end the troubles of a province which has been rocked by violence which has lasted ten years.

The British do a lot for Northern Ireland. The taxpayer keeps it afloat economically to the tune of a net payment of around £1bn a year, and the British Army helps to police the province.

That is why we have to take notice of her administration's latest plan for the province.

The Government's position poses two basic questions. These are:

• Why does the Government feel that political devolution could solve the problem?

• And does either of the two models for devolution proposed in last week's White Paper have the faintest chance of success?

Today there are approximately 1m Protestants and 500,000 Catholics in the Province. Had the Northern Ireland

State been formed from the original nine counties of Ulster then the ratio would have been different. Donegal, Cavan and Monaghan, the three Ulster counties which went to the Irish Free State, contain rather more Catholics, and in Ireland Catholics have a higher birth rate than do the Protestants.

But the Protestant leaders in the 1920s wanted to be in the majority, so it was a six-county State.

The Protestants by and large regard themselves as British as anyone in Yorkshire, Somerset, Kent or wherever.

The Catholic protests against discrimination by the Protestant-dominated central and

local government from 1972 onwards largely ceased to be one about civil rights because taken over by the Provisional IRA, the campaign evolved into a nationalist/republican one.

The present British Government, like previous administrations, has argued that direct rule from Westminster is unsatisfactory. It has said that there is a lack of continuity because there is a rapid turnover of officials at the Northern Ireland Office, and the Ministers, who in addition to the Secretary of State include a half dozen junior ministers, are not Northern Irishmen.

The Government's hope is that if certain powers are returned to local political representatives, the sympathy for the men of violence will cease.

The compliance rather than active support which keeps the Provisional IRA and the smaller Irish National Liberation Army (INLA) in business will erode as legitimate civil rights grievances are settled by elected representatives. In turn there would be no need for the Protestant paramilitary groups to respond to the IRA and INLA.

With a lessening of violence it would be easier to attract foreign investment, which is virtually the only way the economy can be pulled out of the deep pit into which it has sunk.

So much for the theory. In practice, the violence will not entirely disappear, because for the Catholic terrorist groups, the struggle is a nationalist one. An internal settlement is irrelevant to them. The problem for them is the existence of the Northern Ireland State itself.

If, however, a system of political devolution which gives Catholics their due political rights—without frightening off the Protestants—can be created, it might help to lessen the violence and reduce the economic mess. The question

is how to find the magic formula which will achieve such a system.

It has proved a tantalisingly difficult equation to solve. The one serious attempt in 1974 when a power sharing Executive was set up was brought to grief through "loyalist" Unionist-organised strikes. The Executive lasted just four months.

For the time being this leaves just the second model.

Under this, there would be an assembly with an Executive made up entirely from the majority. But there would also be a second body called a Council of the Assembly formed from the chairmen and deputy chairmen—including Catholics of powerful assembly committees. This council could have delaying or blocking powers over legislation introduced by the Assembly.

Such a system would be majority rule but would give the minority something approaching a veto or moderating position. Even assuming that the Unionists could accept it, however, the model would

be acceptable to Mr. John Hume, the leader of the Social Democratic and Labour Party (SDLP), the main moderate voice of Catholics in Northern Ireland.

Unfortunately it is a total non-starter. The Unionists are not interested in power sharing at all. Like all groups that have almost absolute power in any country, they are opposed to giving any power away voluntarily. But also they are not prepared to sit on an Executive with people who—they consider—want only to switch the sovereignty of Northern Ireland to a foreign country, namely the Republic.

Neither the Democratic Unionist Party of Mr. Ian Paisley nor the Official Unionist Party led by Mr. James Molyneaux would contemplate the idea of power sharing. Mr. Paisley, who like Mr. Hume, attended the three-months-long Northern Ireland Conference which led to the White Paper

seem to be as unacceptable to the Catholics in general and the SDLP in particular as the first power-sharing model is unacceptable to the Unionists.

But there might be room for manoeuvre on Mr. Hume's part. Since the power sharing days of 1974 the party has become "greener" or more republican in complexion. Mr. Hume himself is probably more "green" than the man he replaced late last year, Mr. Gerry Fitt.

The key to understanding the Unionists is that since Stormont was wound up, the once monolithic Unionist Party has splintered.

The rump of the old Unionists—the Official Unionists—is led by Mr. Molyneaux, but is under the sway of its deputy Parliamentary leader at Westminster, Mr. Enoch Powell, MP. He

has pushed the party into accepting that the full integration of Northern Ireland with Britain is the only solution.

Mr. Powell, however, is not an Ulsterman, and his power is essentially negative—that of a strong opponent of devolution who has no alternative other than "integration."

Although the Official Unionists have agreed to re-enter into bilateral negotiations with Mr. Humphrey Atkins, the Secretary of State for Northern Ireland—they did not attend the original constitutional conference—they remain the group which is most pessimistic about the White Paper's proposals.

Finally he is convinced that Mrs. Thatcher is determined to succeed for three reasons. First, he wants to consolidate his position as the main Unionist leader. Secondly, he has sensed real power and clearly wants to be Prime Minister of Northern Ireland.

Finally he is convinced that

Mrs. Thatcher is determined to achieve, willy-nilly, some sort of political solution in Northern Ireland.

If the local politicians reject the latest attempt, there is a strong possibility that some kind of federal arrangement for a start.

Providing therefore that Mr. Hume is satisfied that any new Assembly would not be an end in itself, and that there would be useful work it could do in developing Northern Ireland as a region of Europe, he might buy the second model.

A talking shop which can only agree to disagree, however, is a far cry from real devolved power. Politicians in Northern Ireland might say that a solution cannot be imposed without their agreement, but what if the Government put its proposals to a referendum, and what if the majority of the electors voted in favour of an Assembly?

The Government has time for possibly only one initiative in its lifespan. If the local politicians throw out the current one then they can look forward to another long period of direct rule.

Many people are weary of hearing about the unending horrors

State been formed from the original nine counties of Ulster then the ratio would have been different. Donegal, Cavan and Monaghan, the three Ulster counties which went to the Irish Free State, contain rather more Catholics, and in Ireland Catholics have a higher birth rate than do the Protestants.

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The Catholic protests against discrimination by the Protestant-dominated central and

Letters to the Editor

Directive on advertising

From the Director General, Advertising Standards Authority

Sir—The letters from Mrs. S. Clark-Glass and Miss A. Davison (July 3) while welcome in their constructive tone, underestimate, I believe, the threat still posed to the present UK arrangements for the control of advertisement content by the EEC's proposed directive on misleading and unfair advertising.

There is a clear limitation in Article 189 of the Treaty of Rome on what directive may properly set out to do. It is required to leave to the governments of member states the choice of form and method of implementation. It is because the Commission has persistently ignored this provision, and has attempted to force upon this country (and others) a method of implementation which would cut across our established patterns; that for four years and more after it began the rounds in Brussels, the directive is still unadopted.

I would emphasise that it is not a question whether the system espoused by the Commission is better than that presently in use in the UK—though no evidence that it is has ever been forthcoming—but whether it can co-exist in parallel with the present mix of statutory and self-regulatory controls we have. I do not believe that it can or that the cost of dismantling our existing system would in any way be justified in order to obtain the speculative benefits which we are told would flow from the adoption of the Commission's proposal.

Peter Thomson
Brook House
216 Torrington Place, WC1

Productivity is not enough

From Mr. A. de Barr

Sir—Granted that the required volume of goods can easily be produced by a smaller labour force, what exactly is achieved nationally by making redundant large numbers of workers for whom there is no alternative employment? There is, it is true, some saving as a result of the reduction in consumption consequent upon the reduced purchasing power of those displaced. But, in a welfare state, they and their families continue to be housed, clothed, fed, educated etc. and, as many will be unskilled or semi-skilled, the net reduction in overall consumption will be very much smaller than the apparent reduction in the costs of the industry concerned.

The difference appears, in the form of taxation, as an increased burden on those who continue to be employed and on more successful industries.

That reducing the size of the labour force appears to reduce costs is thus the result of the use of a species of marginal costing, the dangers of which are well understood by most managers but not, apparently, by the Government.

The average material standard of living in this country is determined primarily by, on the one hand, the volume of goods produced and of services sold for foreign exchange and, on the other hand, the size of the population; it is largely independent of the number of persons actually engaged in producing these goods and services.

From a national point of view—true costing rather than marginal costing—total labour costs can be reduced only by reducing the size of the population.

Reducing the size of the population is a long-term solution.

They are of course right. But this has little to do with current cost accounting. Replacement cost in CCA does not relate to the physical asset but to the replacement of its services.

Suppose for example the current cash outflow for operating, maintaining and reconditioning an old textile machine is equal to the total cash outflow needed to operate and service the capital cost of new machinery that would produce a similar output and thus earn the same sales revenue. The CCA value of the old machine is then by definition zero and no depreciation arises.

So the appropriate number to be used in assessing the CCA asset value and depreciation is precisely that which is relevant to the management decision to retain the old asset. The current cost data are tightly linked to the decision process.

The precise relevance of the monetary adjustments in their present form is more open to discussion. There is no doubt however that price changes must be taken into account in assessing working capital and borrowing needs. Time and experience will show whether the present way of representing this fact in the financial statements is the best.

(Professor) Harold Edey, The London School of Economics and Political Science.

Houghton Street, WC2

Current cost accounting

From Professor H. Edey

Sir—Dr. Berry and his colleagues suggest (July 1) that depreciation based on the replacement cost of an asset, not just extensions, but their own outside lines, in addition to the telephones for the use of the teaching staff, in the case of 10 of these schools, which have two kitchens, each has its own telephone.

Obviously, it is essential for every school to have a telephone for administrative purposes, or for use in an emergency, but is it really necessary to have separate telephones in the kitchens? In most schools the distance from the kitchen to the administrative telephone is less than 100 yards. And how often does the average school kitchen have to use the telephone?

It would be interesting to hear from readers who have examined the position in other counties. The rental charges along the 324 kitchen telephones in the Canterbury telephone area are about £18,000 per year. And how long is the telephone waiting list?

This proliferation of telephones is to be found in other places. The Nonington College of Physical Education has 10 separate telephone lines, seven of them for the use of students.

Health centres also do themselves well.

The Dover centre has seven telephone lines, Whitstable seven, Rochester five.

At Whitstable, child health, chiropody, speech therapy and family planning, all housed in the same building, have separate telephone lines. Again it would be interesting to know what is the position in other counties.

John Baker White,
Street End Place,
Street End, Canterbury.

Recession and protectionism

From Mr. D. Woolf

Sir—Your leader article headed recession and protectionism (June 30) I find astonishing.

The implication that manufacturing industry in the UK is seeking to restrict imports because it is unable to compete against fair competition is just not true. Manufacturing industry is having to cope with too many problems at one time. There is the problem of low-cost imports which has been with us for many years, but now we have crippling interest rates, outrageous inflation, primarily in the Government supply sectors, ie. rates, heating, lighting, etc., and the increase in the value of the pound which has made profitable exporting a thing of the past.

The precise relevance of the monetary adjustments in their present form is more open to discussion. There is no doubt however that price changes must be taken into account in assessing working capital and borrowing needs. Time and experience will show whether the present way of representing this fact in the financial statements is the best.

(Professor) Harold Edey, The London School of Economics and Political Science.

Houghton Street, WC2

Rate burden excessive

From the Treasurer,

Tatton Valley Borough Council

Sir—I am pleased to see (June 27) that Mr. Bryan Righy, deputy director general of the CBI, considers it vital that industrialists should get involved in the running of local authorities, but perhaps for different reasons. In my opinion, a greater involvement of industrialists would help educate the CBI and others in the difficulties facing local authorities.

Local government expenditure is directly affected by price increases in industry. Mr. Righy suggests that if private sector

put up its prices by 23.86 per cent in one year it would end in bankruptcy.

If I compare tenders received from the building industry, I find they are increasing at a higher rate than this and, indeed, it is not so long ago that vehicle prices were being increased by more than 5 per cent every 30 days.

The new industrial court cillors would be surprised to see at first hand that local government does not give perks to its staff, such as free

cars, low cost mortgages etc. and, indeed, at the senior management level pays far lower salaries than even the smallest companies. They would also appreciate the difficulties local authorities have in recruiting and retaining computer staff, because industry pays far higher rewards. Similarly local government has difficulty recruiting skilled manual

workers again because industry

pays higher.

P. Giddings
Treasurer's Department,
Municipal Offices,
Beech Hurst,
Weyhill Road,
Andover, Hants.

Busy lines in Kent

From Mr. J. Baker White

Sir—May I suggest a way in which local educational authorities could save a considerable amount of money without in any way damaging the education of the pupils?

It is by reducing drastically the number of telephones installed in school kitchens.

I do not imagine that the picture in most counties is different from that in Kent. In

the Canterbury telephone area,

which covers only a part of the

area, there are 2m

people employed in

education.

D. A. Woolf
Revelation Shirts,
Bewsey Street, Warrington,
Cheshire.



LMI advances to £3.45m and sees further growth

PRE-TAX PROFITS of London and Midland Industries expanded from £2.13m to a record £3.45m in the year to March 31, 1980, including post-acquisition profits of Winn Industries which the group bought last October. Sales increased by £15.21m to £36.21m.

At midway, the taxable surplus was £0.15m higher at £1.15m. Mr. C. M. Beddow, chairman, says the group started 1979-80 in an exceptionally strong financial position and has begun the current year on an even firmer base with important liquid funds and considerable resources.

The group has a wide range of products, services and activities—now covering consumer products, home improvements, fasteners, and engineering—and the directors expect and plan for growth to continue.

Subsidiaries are encouraged and supported to develop their activities and skills, he states. With the group's strong financial position this can be augmented by further investment in new operations.

A net final dividend of 14.85p raises the total from 6.75p to 7.75p. The total for 1979-80 includes a special payment of 1p because of exceptional profits.

Stated earnings per 25p share are 1.7p higher at 17p, after tax of £1.27m (£0.51m).

Comment

It is difficult to pinpoint Winn's contribution to the advance at

HIGHLIGHTS

Lex examines the poor set of figures from Rothmans where the £18m fall in profits was worse than the most pessimistic outside forecast. The strength of sterling, it is claimed, cost the company £30m of lost profit. The June banking figures were published yesterday showing a 1 per cent fall in Sterling M3 and Lex considers these figures in the light of the Bank of England's decision last week to cut MLR. Lex also ponders the prospects for the new gilt-edged stock which is up for tender this morning. Finally the Lesney accounts are discussed, in particular the new financing agreement with its banks. On the inside pages there are lower profits from Waddingtons and Donald Macpherson and it also looks as if the original LMI (before acquisitions) had a fairly flat time. Polly Peck pops up with a rights issue and a bid while McKay is raising £4m. There is also news of a forthcoming Marinex offer for sale.

LMI but it looks as though the provides scope for further acquisition should have been capable of some £2m pre-tax in calendar 1979 which, on a pro-rata basis, assumes that the 51 months was worth around £920,000. Given that the group's interest earning capacity was swollen by the profits on the Caledonian deal, it may not be stretching a point too far to say that LMI was all but flat last year. That should not matter overmuch as the shares responded yesterday with a rise of 8p to a peak for 1980 of 12.2p. All new engineering based mini-conglomerates can say the same. The point is that LMI has net liquid funds of some £1.3m which with ample term facilities and a small positive cash flow

Harris Queensway share price falls 30p

A SUBSTANTIALLY down-estimated profits estimate by the official brokers sent the shares of Harris Queensway, the discount furniture group, down 30p to 143p yesterday.

M. Messel, the company's stockbrokers, yesterday advised

clients that it now believed Harris would only maintain profits this year at around £2.35m, earlier the broker had been looking for an increase to £3.00m or so.

Messel stressed that the company had "no financial problems" but the difficult trading conditions were slowing sales at a time when the company was spending money on property acquisitions and had been looking for savings from its new warehouse and cutting shop.

These conditions had all prevailed to increase working capital requirements and pre-tax profits.

The broker is looking for a poor first half followed by a much better second half. Its longer-term forecast for 1981 is "very good indeed, subject only to an average level of retail sales."

Reed Paper/ Reed Int'l to amalgamate

Reed Paper has approved in principle a reorganisation which would result in it becoming a wholly-owned subsidiary of Reed International.

At present, Reed International indirectly holds through Reed Anglo 87 per cent of the outstanding voting stock of Reed Paper.

Prior to the amalgamation being considered by its shareholders, Reed Paper will remain as it is, making a major step forward in establishing a strong position in Europe.

As reported, Reed International's taxable profits rose by £1.1m to £91.4m in the year to March 31, 1980 despite a decline from £92.2m to £91.4m in UK companies' trading surplus. Overseas profits were ahead at £94.9m (£21.3m) and licensing income was £37.8m (£37m).

These shares are convertible into Common shares and holders can convert them prior to redemption.

But Reed Paper recommends

holders not to convert their shares until they have received formal notice of the amalgamation.

Common stock holders, other than Reed Anglo, will receive one serial redeemable share of the Amalgamated company which will be redeemed at £12.75 a share shortly after the amalgamation, which is expected about mid-October.

Shareholders who convert preferred shares into Common will ultimately receive £13.35 for each preferred share.

United British Securities Tst. rises to £5.2m

Taxable revenue of United British Securities Trust advanced to £5.22m in the year ended June 30, 1980 compared with £3.7m.

A final of 4.3p, together with a special payment of 1p, lifts the total dividend to 7.55p (5.1p). Gross income for the year went ahead at £5.88m (£3.84m) and after tax of £1.83m (£1.41m), net

shareholders will also be able to vote on the creation of additional authorised share capital which has been strongly opposed, particularly by Mr. Eldridge.

A fall of £4,002 to £105,877 in pre-tax profits is reported by

The Financial Times published an article on Saturday 5 July 1980 headed:

How ITV is losing the ratings war'

In the week ended 29 June 1980—the most recent available figures from JICTAR (Joint Industry Committee for Television Advertising Research)—the share of Top 20 programmes between BBC and ITV was:

ITV...16
BBC...4

The placings were:

- | | |
|--|-----------|
| 1 Coronation Street (Wednesday) | GRANADA |
| 2 Coronation Street (Monday) | GRANADA |
| 3 Here Comes Summer | GRANADA |
| 4 Crossroads (Wednesday) | ATV |
| 5 Winner Takes All | YORKSHIRE |
| 6 Can We Get On Now Please | GRANADA |
| 7 The Krypton Factor | GRANADA |
| 8 World In Action and Don't Just Sit There | GRANADA |
| 10 Starsky and Hutch | YORKSHIRE |
| 11 The Killers | BBC |
| 12 The Other 'Arf | BBC |
| 13 The Cuckoo Waltz | ATV |
| 14 Crossroads (Tuesday) | GRANADA |
| 15 Nine O'Clock News (Friday) | ATV |
| 16 Robin's Nest | THAMES |
| 17 The Mallens | GRANADA |
| 18 Emmerdale Farm (Tuesday) | YORKSHIRE |
| 19 Return of The Saint | ATV |
| 20 Nine O'Clock News (Monday) | BBC |

GRANADA TELEVISION



UK COMPANY NEWS

Waddington dives but holds final

A STRONG recovery in the second half at John Waddington failed to offset the interim dive into losses which was due to a deficit of £2.9m marked against the Videomaster subsidiary for loss and provision.

This setback meant that the group finished the year to March 29, 1980, with pre-tax profits almost halved at £881,000, compared with £1,685m. Mid-term losses were £418,000 (£1.65m profits).

Excluding Videomaster, profits for the year rose by 37 per cent to £3.78m (£2.76m). Group sales were 24 per cent higher at £37.23m (£36.01m).

Despite the profits downturn the directors are recommending a maintained final of 6.68p, giving an increased total of 11.89p (£11.68p) net. This is in view of their assessment of prospects for the current year.

Mr. Victor Watson, chairman, says trading conditions will be difficult for most businesses this year but the group has a number of things in its favour. It is organised into trading units with the advantage that they can respond rapidly to changing conditions and a number of the units have started the year with better than usual order books.

The games and playing cards activities turned round from losses of £177,000 to profits of £286,000 (£29,000 losses) in North America, but this market is now depressed and a good

result is not expected this year.

The contribution from greeting cards fell to £582,000 (£882,000), reflecting the effects of the transport strike.

There was a tax charge for the year of £363,000 (£105,000 credit) and as a result of treatment deferred tax along the line of SSPA 15, there was a prior year increase in reserves of £3.35m.

Stated earnings per 25p share were 7.61p (£8.12p).

Capital investment was reduced to £2.44m (£2.12m) to conserve cash, while inflation and the Videomaster losses lead to borrowings net of short-term deposits rising by £1.1m. Interest payments were rather more than doubled at over £1.5m.

A year-end property revaluation showed a £1.23m surplus which has been added to reserves.

Comment

It is no secret that the toy sector is facing a difficult time, but John Waddington has a particular problem which refuses to go away. This is the ill-fated

Videomaster business, the electronic games operation acquired from a receiver in 1978. That year a typhoon wiped out much

of the supplier's Philippines factory and last year a shortage of micro-electronic parts caused Videomaster to miss the crucial Christmas period again. This has brought loss provisions in for the past two years to early

in the year, a deficit the company cannot really afford as it battles import competition and other problems in its packaging, printing, playing cards and greetings cards divisions. Although the company is now trying to tighten its belt by reducing capital investments, it is sitting on an unreasonably high 63 per cent income gearing level and an increased capital gearing level of 58 per cent. This year the company's playing cards and games division will probably decline from its £882,000 profit contribution to as little as £1m.

Greeting card earnings are already depressed because of imports and last year's transport strike. The Videomaster business is likely to break even by the year end and group pretax profits of around £2.3m would be unexciting, but reasonable in a recovery period. At £22p, the p/c on stated earnings comes to £1.23m—no bargain. The yield on an uncovered basis marginally higher total net dividend stands at 14.2 per cent.

There was a further commitment not provided for of £1.5m, payable over the next six years, to make up the pension payments of certain employees who have retired early. Certain subsidiaries had similar commitments amounting to £1.5m (£2.2m) at the year end and payable over the next 15 years.

In addition, the group has a commitment to pay £2.2m (£2.2m) in respect of uncalled share capital of subsidiary companies. The maximum loss which could arise in any year from the guaranteed proportion of insurance risks is estimated at £1m (same).

Meeting, St. Helens, Lancs, September 5 at 2.30 pm.

Pilkington's major step into Europe

In a summary of the activities of Flachglas incorporated in its annual report and accounts, Pilkington Group reports that the West German company achieved a retained profit of £4.7m in 1979, after paying out £5.8m in dividends.

In his annual statement, the group's chairman, Sir Alastair Pilkington, says that the acquisition of Flachglas, for which Pilkington paid £140m in June, is a major step forward in establishing a strong position in Europe.

As reported, Pilkington's taxable profits rose by £1.1m to £91.4m in the year to March 31, 1980 despite a decline from £92.2m to £91.4m in UK companies' trading surplus. Overseas profits were ahead at £94.9m (£21.3m) and licensing income was £37.8m (£37m).

These shares are convertible into Common shares and holders can convert them prior to redemption.

But Reed Paper recommends

holders not to convert their shares until they have received formal notice of the amalgamation.

Common stock holders, other than Reed Anglo, will receive one serial redeemable share of the Amalgamated company which will be redeemed at £12.75 a share shortly after the amalgamation, which is expected about mid-October.

Shareholders who convert preferred shares into Common will ultimately receive £13.35 for each preferred share.

The group will continue to source through its own subsidiary in Hong Kong and the pilot factory in Singapore will be studied in greater depth. The AMT kit factory in the U.S. is planned during the current year to absorb a greater proportion of the American sub-contract plastic mouldings and other work.

As reported, the group incurred a loss before tax of £3.61m in the year to January 27, 1980, compared with profits of £28.9m in 1979. Turnover amounted to £106.73m against £289.86m.

The group balance sheet shows fixed assets of £23.89m (£20.86m) and trading at £7.31m (£7.09m). Bank loans and overdrafts stood at £7.17m (£12.39m) and term loans at £18.83m against £10.17m.

In their annual report, the

ISSUE NEWS

McKay makes £4m cash call as profits move ahead

PROPERTY INVESTMENT and development group McKay Securities is raising £4m by way of a one-for-four rights issue at 120p a share.

The company has also reported pre-tax profit for the year ended March 31, 1980, of £859,942 (£710,709) on turnover of £52.3m (£1.5m).

Proceeds of the rights issue will produce an injection of equity finance at a time when the group has in hand the acquisition and planning of several major development and refurbishment schemes, the com-

pany said.

The rights entails the issue of

2.7m new ordinary shares and

609,648 new capital shares.

The group's properties are shown in the March 31, 1980 balance sheet at £19.6m, on the basis of the March 31, 1978 valuation plus additions at cost.

Attributable earnings were £567,225 (£408,991). A final dividend of 1.35p net makes 2.7p for the year compared with an adjusted 1.6p. The board expects to recommend dividends totaling at least 2.7p for the current year after the rights issue.

McKay's auditors draw attention to these facts that have taken place subsequent to the date of the balance sheet.

Clark Pixley, the group's

auditors draw attention to these

facts that have taken place subsequent to the date of the

balance sheet.

Lex Back Page

points from Chairman's Statement:

Pre-tax profits up again—by 32%

Dividend increased again

Current year expected to be satisfactory

R-R REALISATIONS LIMITED

(In Voluntary Liquidation)

Notice is hereby given pursuant to section 299 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named Company will be held at the Chartered Insurance Institute, 20, Aldermanbury, London EC2V 7HY, on Thursday the 31st July, 1980, at 11.00 a.m. to be followed at 11.30 a.m. (or so soon thereafter as the Meeting of Creditors shall have been concluded or adjourned) by a General Meeting of the Members, for the purpose of (1) receiving an account of the acts and dealings of the Liquidators and of the conduct of the winding-up for the period 8th October, 1978, to 22nd March, 1980, and (2) to fill any vacancies in the representatives of Creditors or Members on the Committee of Inspection in the winding-up of the said Company which may occur prior to the date of the meetings.

E. R. Nicholson
W. K. M. Slimmins
K. D. Wickenden
Joint Liquidators

8th July, 1980

Dividends shown per share net except

BIDS AND DEALS

Polly Peck raising £1.6m for Cyprus investment

The financially troubled ladies fashion group, Polly Peck (Gardineau), is raising £1.6m by way of a one-for-five rights issue at 75p a share to invest in a consortium packaging plant in the Turkish Federated State of Cyprus.

The company has also reported a consolidated net loss in the year ended March 19, 1980, of £29,000 (£2,000) on turnover of £1m (£1.2m). No dividend was paid in either year.

Polly Peck's shares were suspended at the company's request on June 13 at 83p following fresh speculative activity. Since the acquisition of a 55 per cent interest by a company controlled by Mr. Asil Nadir in February, the shares have risen from 75p.

Yesterday, the shares jumped 4p to 125p following the news and lifting of the suspension.

The rights proceeds will be used, subject to shareholders' approval, to acquire Uni-Pac Packing Industries, a company incorporated in the Turkish-controlled part of Cyprus ("northern Cyprus") last month and to provide adequate working capital for its future operation.

Uni-Pac, which is owned by Mr. Nadir, has leased factory space at Famagusta and is equipping it with British and European machinery for making corrugated packaging. It expects to start production in September and reach an operating capacity of 2m 20 kg containers per month by December.

New material, mainly paper-board, is to be bought on the open market, rather than through long-term contracts. The total cost of the project is said to be £500,000 plus £142,763 to reimburse expenses incurred by Mr. Nadir and his associates.

Uni-Pac will be the first and only maker of corrugated packaging in northern Cyprus and expects to become a principal supplier to the agricultural industry because of the Government's local preference policy. However, Mr. Nadir said the Cyprus market could absorb only one-third of the plant's ultimate production capacity and he hoped to develop export markets, notably in Turkey.

A forecast of not less than £2m pre-tax profit for Uni-Pac for the period ending on August 31, 1981, is based, among other things, on sales within Cyprus only.

The Polly Peck rights are offered to shareholders on the record on July 18 and acceptances must be received by August 20. Restra Investments, the company through which Mr. Nadir controls 55 per cent of Polly Peck, has agreed to take up its entitlement in full.

An EGM will be held on July 20.

TILLING/AIRFLOW

Thomas Tilling, through its subsidiary Clarkson Industries Inc., has acquired Airflow Company of Gaithersburg, Maryland, U.S.A., a manufacturer of temperature and humidity control equipment.

The sum involved does not exceed 2 per cent of the net tangible assets of Austin Reed Group.

A forecast of not less than £2m pre-tax profit for Uni-Pac for the period ending on August 31, 1981, is based, among other things, on sales within Cyprus only.

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An EGM will be held on July 20.

MINING NEWS

Price rise props up gem sales in first half

By KENNETH MARSTON, MINING EDITOR

AT FIRST reading the total value of world sales of rough gem and industrial diamonds marketed by De Beers' Central Selling Organisation for the first half of the year shows up well against the general background of recession. The figure for the past six months comes out at \$1.27bn, or \$1.57bn.

In real terms, the latest value shows a rise of 11 per cent on that for the first half of 1979 and an increase of 15 per cent on the second half 1979 total. In terms of dollars, the respective increases are 23 per cent and 30 per cent.

The CSO's rough figures are compared in the following table.

\$m/month in Year's Total

June Dec. Jan. Feb. Mar. Apr. May June

1980 1,267.2 1,082.2 2,101.8

1979 1,085.1 1,154.4 2,218.3

1978 943.4 893.3 1,802.7

1977 881.6 1,351.9

1976 336.7 438.4 782.3

1975 522.7 442.9 920.4

1974 323.2 332.1 658.5

1973 220.1 128.3 448.4

1972 200.7 177.7 454.8

1971 200.7 177.7 454.8

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Macpherson margins cut in first six months

A SHARP reduction in pre-tax profits from £2.03m to £1.3m is reported by Donald Macpherson Group for the half year ended April 27, 1980 but the directors are maintaining the interim dividend at 1.5p per share. Sales amounted to £40.7m against £36.05m.

Mr. Rex Chester, chairman, says the recession which has been threatening for so long has undoubtedly arrived "and with a suddenness and a degree of severity that has surprised many people".

First half profit is after interest of £526,000, compared with £400,000. Tax takes £466,000 (£538,000) giving earnings per share of 4.5p against 8.5p.

The chairman says that in the last three months, the business market in which the group operates has deteriorated markedly. In the retail DIY market, consumer demand and severe de-stocking resulted in a sharp fall in volume, off-take by customers and intense competition led to a reduction in margins.

The industrial coatings business held up much better than expected during the steel strike but fell sharply from the end of March. Sectors such as furniture, domestic appliances and engineering have been particularly hard hit.

Poor trading conditions in the furniture industry affected profits of the Luton division, but, as in the other divisions, action has been taken to cut back on operating costs.

The strength of sterling made it necessary to make substantial reductions in margins in order to keep some customers, however, overseas companies' pre-tax profits were only marginally down on last year.

Mr. Chester added that the company had a strong balance sheet and "we believe that in the coming months a number of new opportunities for acquisition and diversification will arise."

Comment

With all its divisions under pressure, Donald Macpherson has

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are maintainable. Final and the sub-divisions shown below are based mainly on last year's timetable.
July 10
Interims—Amati, Bond Street Fabrics, General Consolidated Investment Trust, M. and G. Dual Trust, NCR.
Finals—H. P. Bulmer, Danes Investment Trust, G. H. Downing, Moorgate S and U Stores
July 10

Avenue Close declines

After rising from £258,382 to £281,673 at the half-year stage, taxable profits of property investment and development group Avenue Close showed a decline over the 12 months to March 31, 1980, from £269,794 to £24,047.

The chairman warned in his interim report that current high interest rates on additional borrowings required for a development programme together with a policy of charging interest to profit and loss account might have some effect on full-year figures.

The dividend is raised from 1.783p to 1.967p net and a one-for-one scrip issue is proposed.

After a lower tax charge of £25,020 (£359,769) stated earnings per 20p share are down from 5.569p to 4.05p.

A revaluation of properties at the year-end has thrown up a surplus of £7.22m which has been incorporated into the financial statements. But a valuation of dealing properties, which exceeded book value by £796,145, has not been incorporated.

Arrangements have been concluded to extend the lease-holds of two properties. This has resulted in an additional value of £610,000.

DE LA RUE/SICPA

The De La Rue Company and SICPA SA of Lausanne, Switzerland, have formed a joint company, FIDLINK SA, in which SICPA will own two-thirds and De La Rue a third of the equity, established at SwFr 3m.

The new company is constructing a factory at Chavornay, Switzerland, to supply inks to De La Rue's security printing divisions.

Whitecroft

	1980 £000	1979 £000
Turnover	101,480	75,565
Profit before interest & taxation	6,839	6,118
Profit before taxation	4,570	5,025
Earnings per share	12.68p	20.07p
Dividends per share	7.70p	7.70p
Net tangible assets	126.61p	116.13p

Major strategic advances have been made, in spite of unfavourable competitive conditions at home and abroad.

Our objective of creating a national business in building and engineering supplies is being achieved by the integration of the Randalls Group building supplies companies acquired in December 1978.

The overall group performance in the year under review may be considered a reasonable achievement in the light of economic conditions. We are implementing plans to contain those operations which have an adverse effect on group results.

Looking ahead, we continue to invest in the profitable and growing areas especially where we are market leaders.

Extracts from the report by the chairman — Mr. John Tavares.

Whitecroft Limited

Textiles, engineering, building and engineering supplies

A copy of the report and accounts may be obtained from:
The Secretary
Whitecroft Limited, Blackfriars House, Parsonage
Manchester M3 2HX

LONDON & OVERSEAS FREIGHTERS LIMITED

YEAR TO 31 MARCH 1980

The 32nd Annual General Meeting of London & Overseas Freighters Limited was held yesterday under the chairmanship of Mr. Manuel Kulukundis.

Salient points referred to in the Directors' Report and Chairman's Statement accompanying the Accounts sent to shareholders were—

- ★ Trading profit on shipowning for the first time in five years.
- ★ Profit for year £3.8m compared with previous year's loss of £1.9m.
- ★ Restructuring of loans to give increased flexibility.
- ★ Effective increase of 80% in dividend.
- ★ Two 55,200 dwt general purpose tankers ordered for delivery in 1982.

8 BALFOUR PLACE, PARK LANE, LONDON W1Y 6AJ

Copies of the Annual Report for the year to 31 March 1980 and the full text of the statement by the Chairman, Mr. Manuel Kulukundis, may be obtained from the Secretary.

UK COMPANY NEWS

Lincroft Kilgour slumps midway

REFLECTING the severe recession in the textile industry, pre-tax profits of The Lincroft Kilgour Group, cloth merchant and menswear manufacturer, plunged to £23,943 in the six months to March 31, 1980, compared with £261,259.

In the light of these results and trading generally since the end of the half-year, the board is omitting payment of an interim dividend.

The recession has deepened further since the end of March, not only at home but also in the important East European states, states Mr. Anthony Holloman, the chairman. Unless there is an unexpected upturn in sales, payment of a dividend for the full year must depend on prospects for 1980-81 and the benefits flowing from the various economies now being made throughout the group.

Output capacity is being cut back to levels in accord with the present depressed state of trade, the chairman adds. This has already involved many redundancies and more are presently being discussed with the unions.

Stock commitments, particularly in the cloth merchandising division, are being reduced to match the expected volume of sales, although previous experience has shown it is prudent to maintain adequate stocks to meet any sudden increase in demand.

In the last full year, pre-tax profits were down from £875,170 to £424,600 and the final dividend, at 7.5p yesterday, assuming a main final, the yield is 8.4 per cent. The level of interest payments is a little worrying but Macpherson has a strong balance sheet and is in a position to prune operating costs if necessary.

The dividend is raised from 1.783p to 1.967p net and a one-for-one scrip issue is proposed.

After a lower tax charge of £25,020 (£359,769) stated earnings per 20p share are down from 5.569p to 4.05p.

A revaluation of properties at the year-end has thrown up a surplus of £7.22m which has been incorporated into the financial statements. But a valuation of dealing properties, which exceeded book value by £796,145, has not been incorporated.

Arrangements have been

concluded to extend the lease-holds of two properties. This has resulted in an additional value of £610,000.

Kelvin Watson at £0.7m

DESPITE SLIPPING £7,509 to £39,092 in the second half, R. Kelvin Watson, the Manchester optician, reports pre-tax profits up from £675,572 to £703,040 in the full year to March 31, 1980. Turnover improved from £4.36m to £5.09m.

Although results at the half-year stage showed a further increase in profits, the chairman said at the time that they were below forecast principally because the company was unable to budget for the increase in VAT. He expected a satisfactory second half.

After tax of £19,438 (£114,586) and minorities £4,194 (£5,391), earnings per 10p share are 0.01p (2.93p). An extraordinary debit this time of £6,432 leaves the attributable loss at 8.121, against profits of £14,232.

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NORTH AMERICAN NEWS

Recession hits CBS half-year returns

By David Lascelles in New York

CBS, the large broadcasting and publishing company, yesterday confirmed that it has completed its disposal of its holding in Bank of Credit and Commerce International (BCCI), the London-based bank with Middle East connections.

Net income was \$34.4m or \$1.95 a share down from \$35.5m or \$2.43 a share. Revenue was \$974.3m compared to \$908.7m.

This brought CBS' first-half earnings to \$67.5m or \$2.42 a share, down from \$83.6m or \$3.01. Revenue is up slightly from \$1.75bn to \$1.94bn.

CBS said the 1979 second quarter reflected gains from the sale of syndication rights to feature film inventory. But it also said the quarterly decline was due to the effects of the U.S. recession on its consumer-oriented businesses.

CBS had been predicting a drop in earnings. A fortnight ago, its new president, Mr. Thomas Wyrman, told analysts that the second quarter results would reflect heavy spending on technical projects and the effects of the recession. But he added: "Once the current recession is behind us, the future looks exceptionally promising."

CBS Broadcast's revenues were up 15 per cent from a year ago with the TV network, TV stations and radio divisions all contributing.

CBS Records group revenues were down 5 per cent as increased international sales were more than offset by lower domestic revenues.

Reverse for Redman Industries

By Our Financial Staff

A SHARP fall in both sales and earnings in the first quarter of the year is reported by Redman Industries, a leading producer of mobile homes and building products. Net earnings have been more than halved while sales at \$54.8m showed a fall of 24 per cent.

Redman, one of the largest builders in the U.S. earns the bulk of its profits from manufactured housing, with a substantial slice coming from building products.

Bank of America completes sale of BCCI share stake

BY STEWART FLEMING IN NEW YORK

BANK OF AMERICA, the largest U.S. bank, yesterday confirmed that it has completed its disposal of its holding in Bank of Credit and Commerce International (BCCI), the London-based bank with Middle East connections.

At one point Bank of America held 30 per cent of BCCI but it indicated two years ago that it was in the process of disposing of its stake. It agreed to dispose of its last shares in BCCI by the end of June, 1980.

There is speculation that the Bank of America move could now have implications for the long running and at times bitterly contested battle for control of the Washington-based Financial General Bankshares, a \$2bn commercial bank which had been fighting off a take-over attempt by a group of Middle East investors, to whom BCCI is

acting as adviser.

In May Financial General's Board apparently dropped its opposition to the Arab takeover of the U.S. bank by announcing that it found an increased \$28.50 a share offer for the company "adequate." It was indicated that a definitive agreement with the Arab group, headed by a Saudi businessman, Sheikh Kamal Adham, might be concluded by the end of June.

In early 1978, when the Arab group first acquired its 19 per cent stake in Financial General, there were reports that BCCI was linked with the attempted acquisition as a participant. BCCI itself has consistently indicated that it is involved in the takeover attempt in anything but an advisory capacity.

Before any acquisition of Financial General can be completed, however, the Federal

Reserve Board and bank regulators in New York and Maryland must approve the transfer of control of what is the third largest bank holding company in Washington.

• European American Bank, the New York grouping owned by six European banks including Midland Bank of the UK, reported sharply higher second quarter earnings. David Lascelles writes. Net income was \$8.3m, up 93 per cent on the \$5.2m earned in the same quarter last year, and up 36 per cent on the \$7.3m of this year's first quarter.

For the first six months, income was \$17.3m, up 77 per cent on the same period last year.

European American is owned jointly by Midland, Deutsche Bank, Creditanstalt-Bankverein, Amro, Societe Generale and Societe Generale.

Calgary Power plans bid fight

BY ROBERT GIBBENS IN MONTREAL

CALGARY POWER, the main electrical power distributor in Alberta, says it will take legal action to fight the C\$515m bid by Atco on the grounds that it does not comply with federal and Alberta law.

Atco, a major international prefabricated industrial housing builder and contract driller, has offered C\$21 a share for 51 per cent of Calgary Power's shares, an offer rejected by Calgary Power's directors on Monday. Atco is controlled by the

southern family of Calgary and has just bought control of Canadian Utilities, another Alberta electrical utility, and also a gas distributor.

Calgary Power says the Atco offer should be rejected because it is inadequate and is not for all issued shares. Atco would have to borrow C\$1bn to finance both its acquisitions, and future cash flow, including dividends, would be insufficient to service such debt.

The bid is only C\$2.50 over

the market price for Calgary Power stock, and shareholders would be liable to tax. Atco has failed to reveal material facts and would bring about major changes in operations should its bid succeed, Calgary Power says.

Atco later said all the issues raised have been anticipated and resolved before the offer was made. It said its potential lenders are major Canadian institutions and the financial backing necessary came only after exhaustive study.

Peabody proposes spin-offs

BY OUR FINANCIAL STAFF

THE BOARD of Peabody International, energy and pollution control group, is studying the feasibility of restructuring the company into two separate publicly-owned companies. It said that it thinks a spin-off of the oil field and quality assurance operations into a separate publicly-owned corporation could benefit Peabody shareholders. Accordingly, the company is exploring the feasibility of distributing the shares of Peabody stock would con-

tinue to own their own shares and in addition would receive shares in the oil field-quality assurance company proportionate to their holdings of Peabody shares.

Mr. John E. McConaughay Jr., chairman and chief executive, said the decision with regard to the spinoff would be subject to various conditions including the receipt of a tax ruling that the proposed distribution would be tax-free to shareholders.

As a result of the contemplated distribution, the holders of Peabody stock would con-

These Debentures have been sold. This announcement appears as a matter of record only. June 1980

RoyLease Limited
(Incorporated under the laws of Canada)

U.S. \$50,000,000 11 1/4% Guaranteed Debentures Due 1985

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KREDIETBANK INTERNATIONAL GROUP

SWISS BANK CORPORATION (OVERSEAS) LIMITED

S.G. WARBURG & CO. LTD.

WESTDEUTSCHE LANDESBAANK GIROZENTRALE

Al-Rabih Investment Company

Al-Rabih Bank of Kuwait

Algerian Bank Nederland N.V.

American Express Bank International Group

Ar. Amer. Co. Limited

Asian American Bank N.V.

Bache Halsey Stuart Shultz Incorporated

Barca Commercial Italia

Bank Brusel Lambert

Bank Gutzeit, Kurt, Bungener (Overseas) Limited

Bank Julius B&C A.G.

Bank Leu International Ltd.

Bank of America

Bankers Trust International Limited

Bankers Trust International Limited

Bankers Trust International d'Investissement (B.A.I.I.)

Banque de l'Industrie et de Suez

Banque de la Société Financière Européenne

Banque de Paris et des Petits

Banque Francaise du Commerce Exposé

Bank of America

Bank Internationale à Luxembourg S.A.

Bankers Trust Luxembourg

Barclays International Group

Baring Brothers & Co. Limited

Bayerische Hypotheken-und Wechsel-Bank

Bayerische Landesbank, Girozentrale

Bayerische Volksbank

Berliner Handels- und Frankfurter Bank

Berlin-Baden-Baden - Notabank/Bahn AG

B.S.U. Unternehmenskredit

Burns Fry Limited

Carrele des Dépôts et Consignations

Central Reabank

Chase Manhattan Limited

Christiansen International Group

Christiansen, Kroc & Krocikas

CIBC Limited

Citcorp International Group

Citibank

Citibank N.A.

Citibank N.Y.

Citibank N.Y. (Europe) Limited

Citibank N.Y. (U.S.A.)

Companies and Markets

INTL. COMPANIES & FINANCE

Northern Telecom expects downturn

MONTREAL — Northern Telecom, the telecommunications equipment manufacturer, disclosed that operating factors, and a change in financing practices at Northern Telecom Systems, with the added effect of the world recession, will cause the corporation's operating earnings for the second quarter 1980 and for the full year to be substantially below 1979 levels.

"Our efforts to integrate and restructure the operations and product lines of the companies acquired in 1978—Data 100 and Sycom—as Northern Telecom systems have been far more costly and are taking far longer than we had anticipated," said Mr. Walter F. Light, president and chief executive. "This will continue to be true for at least the remainder of 1980."

The decline will be due in part to the approval by the company's board of a change in the practice of Northern Telecom Systems under which each quarter Northern Telecom Systems has been selling a significant number of its operating leases on data systems to third parties. Only limited third party lease sales will be made in the future, as dictated by business conditions. No third party lease sales were made in the second quarter. (APD)

Jardine undermines Land story

By Rodney Hobson in Hong Kong JARDINE MATHESON yesterday poured cold water on reports that it and Hongkong Land, in which it has a 20 per cent stake, were arranging a share exchange.

Jardine shares—which have soared on the London and Hong Kong stock markets since Friday—had risen from HK\$13.10 to HK\$13.22 before falling back to HK\$13.00 at yesterday's close.

Hongkong Land, which had put up 40 cents to HK\$14.20, fell back to HK\$13.90.

However, Mr. David Newbigging, chairman of both companies, said: "The fact that we have made no announcement indicates that we have no announcement to make." He was surprised when Jardine shares soared. "I am delighted that people think our shares are undervalued," he said. His policy was to make announcements affecting the companies "sooner rather than later."

Mr. Uisdean McInnes, the Commissioner for Securities, has contacted Mr. Newbigging, but his office refuses to comment and does not expect to issue a statement.

Stories of a possible defensive Jardine-Hongkong Land move have circulated since Hongkong Land failed last month in its attempt to gain effective control of Hongkong and Kowloon Wharf, when Sir Yue-Kong Pao's interests raised their stake in Wharf from 30 per cent to 49 per cent at a cost of over HK\$2bn (US\$400m).

The surge in Jardine and Land helped the Hang Seng Index to a seven-year high at 1,085.75 in hectic trading on Monday. Yesterday the index slipped to 1,071.84.

Jardine has 230m issued shares, giving it a market capitalisation of more than HK\$5bn (US\$1bn). Hongkong Land has 715m issued shares, giving it a market capitalisation of HK\$9.5bn.

About 1m Jardine shares changed hands in London on Friday and another 2.5m were traded in Hongkong on Monday.

BORROWER PROFILE

YUGOSLAVIA

Burdened by a deteriorating balance of trade

BY ANTHONY ROBINSON, EAST EUROPEAN CORRESPONDENT

REPORTS FROM Belgrade that Yugoslavia has approached central bankers for assistance in raising around \$2bn this year to back up its economic stabilisation programme come as no surprise to commercial bankers.

They have long been aware that Yugoslavia has a borrowing requirement of this size. The immediate "J-curve" effect of last month's Dinar devaluation is furthermore expected to increase the pressure on the balance of payments and increase Yugoslavia's already sizeable borrowing needs in the short run.

The National Bank of Yugoslavia in Belgrade yesterday denied that Yugoslavia has made any formal approach to either central or commercial bankers. Leading U.S. and European banks in London however believe that the National Bank is considering a large Euro-currency loan of up to \$500m in which leading U.S., European, Japanese and Arab banks would be invited to participate.

The main function of such a loan, they believe, would be to boost Yugoslavia's reserves which have been run down considerably over the last 18 months as a consequence of the deteriorating trade and balance of payments position. Last year Yugoslavia registered a record

\$7.3bn trade deficit and a revised balance of payments deficit of \$3.7bn.

According to the latest OECD report Yugoslavia's foreign currency reserves at the end of 1979 stood at \$1.3bn and total reserves at just over \$2bn. But this underestimates the gold component of the reserves which is officially valued at \$42

to the final shape of the programme. But western bankers believe that a major borrowing by the National Bank would be received more favourably than further conventional borrowing by the Yugoslav commercial banks.

Yugoslavia's total net indebtedness to Western banks, including Japanese and Arab banks, is now estimated to be around \$1.4bn. This has already brought many U.S. and European banks to their country lending limits.

This is reflected in a lack of enthusiasm for further lending and pressure for higher fees and conditions. The latest commercial bank lending was a \$107m "club deal" extended to three Yugoslav banks and put together by Citicorp and eight U.S. and European banks. This was for seven years at 14 per cent over Libor with a substantial management fee.

The size of the Yugoslav debt is not however the only problem. In retrospect many bankers feel that Yugoslav borrowers may have made a major error of judgment earlier this year by concentrating on re-scheduling their existing and admittedly rather expensive debt, rather than concentrate on creating good conditions for future fresh borrowing.

per ounce. At current market prices the gold component in reserves is estimated to be worth around \$2bn, or roughly two months' imports. The reserves have also benefited from some recent borrowing, including the \$440m IMF loan which was announced shortly after the June 5 decision to devalue the dinar by 30 per cent.

Borrowing arrangements are believed to be in a fairly early preparatory stage and no final decisions have been taken as

to the final shape of the programme. But western bankers believe that a major borrowing by the National Bank would be received more favourably than further conventional borrowing by the Yugoslav commercial banks.

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In the process of hard bargaining over terms the Yugoslav banks reduced the enthusiasm of banks for future lending and as a consequence terms and conditions on future commercial bank borrowing are likely to reflect this feeling.

Under these circumstances using the National Bank as a kind of flagship makes sense.

All banks like to keep on good terms with the Central Bank

and a large loan to this borrower would clearly also be seen as somewhat of a political gesture of support for post-Tito Yugoslavia.

This is certainly how the Yugoslav authorities would view such an operation in trade and financial negotiations alike. Yugoslav negotiators always tend to point to Yugoslavia's political and strategic significance and the importance of being able to continue the delicate tight-rope act between East and West.

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L'Oreal says that its growth strategy over the next five-year period is based on developing all of its current businesses, which range from hair and beauty products, to hygiene and pharmaceutical items.

It also intends to push ahead with its ambitious programme of expansion overseas, where it achieved 54 per cent of turnover last year.

Gross sales in 1979 went up by about 16 per cent from FF

to FF 8.6bn (\$1.53bn), with cash flow increasing from FF 389m to FF 549m. Consolidated net profits, however, rose much faster, going up by 15 per cent from FF 210m to FF 322m.

According to a statement to shareholders at the annual meeting, the group is confident of being able to achieve these targets because of the steady expansion of its main markets in hygiene, beauty and health products.

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to FF 8.6bn (\$1.53bn), with cash flow increasing from FF 389m to FF 549m. Consolidated net profits, however, rose much faster, going up by 15 per cent from FF 210m to FF 322m.

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WORLD STOCK MARKETS

NEW YORK

Stock	July 7	July 5	Stock	July 7	July 5	Stock	July 7	July 5	Stock	July 7	July 5
ACF Industries	343	34	Columbia Gas	401	41	Mess Petroleum	301	8	Schlitz Brew J.	8	81
AMF	103	103	Co. Ind.	422	42	MGM	84	84	Schluemberger	117	117
AMR Corp.	151	151	Combined Int.	204	204	Mitton Bradley	295	295	SCM	266	266
ARA	31	31	Combust. Eng.	63	63	Mobile	119	119	Scott Paper	159	159
ASA	54	52	Comcast	91	91	Mitsubishi Min.	62	62	South Coast	20	20
AVX Corp.	44	44	Compugraphic	104	104	Mitsubishi Puc.	76	76	South Coast	40	39
Axon Corp.	255	254	CIO	178	178	Modern Merch.	137	14	Seagram	664	656
Acme Cleve.	255	254	Comp. Sciences	224	224	Moscow Metal M.	53	53	Sealed Air	212	212
Adobe Oil & Gas	425	424	Conti. Ind.	254	254	Monsanto	519	503	Sears Robuck	174	174
Aetna Life & Acc.	235	234	Conoco	401	40	Moore McOmink	451	451	Seurat Lin	85	85
Almond Ind.	421	421	Concord	54	54	Morgan Corp.	452	452	Security Pac.	88	88
Alzona	102	101	Conn. Edison	256	256	Morgan Corp.	524	524	Shell Oil	384	384
Alberto-Culv.	104	95	Conn. Power	256	256	Munisingwear	134	134	Shell Trans.	384	384
Albertson's	20	20	Conn. Freight	224	224	Murphy (GO)	147	144	Shoeless Joe	384	384
Alcan Aluminum	251	250	Consumer Freight	207	21	National Ind.	254	254	Signal	344	333
Alleghany Ludm.	273	273	Conti. Air Lines	89	89	National Ind.	358	358	Signode	356	356
Alled Chemical	48	47	Conti Corp.	267	267	Naico Chem.	374	364			
Allis-Chalmers	281	281	Conti Illinois	30	29	Napco Industries	161	161			
Alpha Port.	151	154	Conti Telep.	151	151	National Ind.	214	214	Simplicity Patt.	9	91
Alcoa	58	58	Control Data	58	57	Nat. Can.	217	217	Singer	77	76
Almond Sugar	57	57	Copper Inds.	417	417	Nat. Dist.	201	201	Skyline	12	117
Amazak	50	49	Coors Adolph	137	131	Nat. Gypsum	24	24	Smith	66	66
Ameridax Hess	59	57	Copeland	22	22	Nat. Ind.	61	61	Sonesta Kline	56	56
Am. Ind.	100	100	Crown Cork	28	27	Nat. Metal	35	35	Sonesta Int'l.	12	114
Am. Ind. Broadcasts	737	731	Crown Glass	53	54	Nat. Service Ind.	191	187	Sony	10	10
Am. Can.	23	21	Croton Brook	24	23	Nat. Standard	154	154	Southern Bell	25	25
Am. Cylind.	537	537	Cox Broadcast	78	75	NCR	601	601	South Cal. Ed.	27	27
Am. Ind. Pow.	189	189	Crown Hill	31	31	New England El.	222	227	Standard Tel.	543	543
Am. Express	35	35	Crown Nut	28	27	New Eng. Tel.	254	254	Star Pacific	341	333
Am. Gen. Insnce.	314	314	Crown Zell	49	48	New York Tel.	254	254	St. L. Industries	501	501
Am. Ind. Prod.	285	285	Curtiss-Wright	222	222	Northland	217	217	St. L. Brands	333	334
Am. Hosp. Supply	401	401	Damon	7	7	NL Industries	254	254	N.L. Industries	501	501
Am. Medical Int'l.	41	41	Daniels	251	251	Nordic Ind.	245	245	N.Y. Ed.	547	547
Am. Nat. Resour.	42	42	Davis Ind.	701	692	Nordic Ind.	246	246	N.Y. Gas	547	547
Am. Petfina	421	421	Dayton-Hudson	45	45	Nordic Ind.	247	247	N.Y. Super	571	571
Am. Quaker Pet.	51	51	Desre	542	542	Nordic Ind.	248	248	Oilfield	547	547
Am. Standard	601	598	Delta Air	16	16	Nordic Ind.	249	249	Oilfield	548	548
Am. Stores	265	265	Delta Can.	59	59	Nordic Ind.	250	250	Oilfield	549	549
Am. Tel. & Tel.	533	532	Delta Ind.	251	251	Nordic Ind.	251	251	Oilfield	550	550
AMP	397	395	Dentply Int'l.	161	161	Nordic Ind.	252	252	Oilfield	551	551
Ampax	201	201	Diamond Int'l.	374	374	Nordic Ind.	253	253	Oilfield	552	552
Amstar	213	213	Diamond Sham	201	201	Nordic Ind.	254	254	Oilfield	553	553
Anchor Hock.	161	171	Digital Equip.	782	782	Nordic Ind.	255	255	Oilfield	554	554
Anheuser-Busch	251	251	Dillingham	118	118	Nordic Ind.	256	256	Oilfield	555	555
Arca	223	223	Dingersoll Rand	562	562	Nordic Ind.	257	257	Oilfield	556	556
Archer Daniels	267	267	Diamond Steel	49	48	Nordic Ind.	258	258	Oilfield	557	557
Armstrong	161	161	Dolan	101	102	Nordic Ind.	259	259	Oilfield	558	558
Armstrong CK.	161	161	Dow Corp.	304	304	Nordic Ind.	260	260	Oilfield	559	559
Asarcog	373	373	Dow Ind.	253	253	Nordic Ind.	261	261	Oilfield	560	560
Ashtead	41	41	Dow Jones	464	464	Nordic Ind.	262	262	Oilfield	561	561
Atlantic Rich.	452	452	Duke Power	187	187	Nordic Ind.	263	263	Oilfield	562	562
Auto.Data Prtg.	214	213	Dun & Brad.	474	464	Nordic Ind.	264	264	Oilfield	563	563
Aveco	18	18	DuPont	438	438	Nordic Ind.	265	265	Oilfield	564	564
Avery Int'l.	18	18	E & G	294	294	Nordic Ind.	266	266	Oilfield	565	565
Avnet	501	501	Eastco	17	14	Nordic Ind.	267	267	Oilfield	566	566
Axon Prod.	355	355	Eastern Airlines	97	96	Nordic Ind.	268	268	Oilfield	567	567
Baker Ind.	322	322	Eastern Gas & F.	25	25	Nordic Ind.	269	269	Oilfield	568	568
Banco Trust	212	212	Eastern Kodak	587	587	Nordic Ind.	270	270	Oilfield	569	569
Bank America	272	272	Eastman Kodak	587	587	Nordic Ind.	271	271	Oilfield	570	570
Bankers Trust N.Y.	272	272	Eastman Kodak	587	587	Nordic Ind.	272	272	Oilfield	571	571
Barry Wright	331	341	Eaton Corp.	264	264	Nordic Ind.	273	273	Oilfield	572	572
Bausch & Lomb	437	437	Eaton Corp.	264	264	Nordic Ind.	274	274	Oilfield	573	573
Bear Tr. Corp.	212	212	Eaton Corp.	265	265	Nordic Ind.	275	275	Oilfield	574	574
Becton-Dickinson	212	212	Eaton Corp.	266	266	Nordic Ind.	276	276	Oilfield	575	575
Becker Instr.	135	135	Eaton Corp.	267	267	Nordic Ind.	277	277	Oilfield	576	576
Bell Howell	101	101	Eaton Corp.	268	268	Nordic Ind.	278	278	Oilfield	577	577
Bell Industries	444	444	Eaton Corp.	269	269	Nordic Ind.	279	279	Oilfield	578	578
Bendix	444	444	Eaton Corp.	270	270	Nordic Ind.	280	280	Oilfield	579	579
Beneficial	223	23	Eaton Corp.	271	271	Nordic Ind.	281	281	Oilfield	580	580
Beth Steel	235	235	Eaton Corp.	272	272	Nordic Ind.	282	282	Oilfield	581	581
Big Diversified	221	221	Eaton Corp.	273	273	Nordic Ind.	283	283	Oilfield	582	582
Black & Decker	187	187	Eaton Corp.	274	274	Nordic Ind.	284	284	Oilfield	583	583
Block H.R.	261	261	Eaton Corp.	275	275	Nordic Ind.	285	285	Oilfield	584	584
Blue Bell	252	252	Eaton Corp.	276	276	Nordic Ind.	286	286	Oilfield	585	585
Boeing	252	252	Eaton Corp.	277	277	Nordic Ind.	287	287</			

LONDON STOCK EXCHANGE

Markets unable to hold good early gains and boil over

June banking statistics fail to inspire Gilt-edged

Account Dealing Dates
Options
*First Declara- Last Account Dealing Days
June 30 July 10 July 11 July 21
July 14 July 24 July 25 Aug. 4
July 23 Aug. 7 Aug. 8 Aug. 18
* "New time" dealings may take place from 9 am two business days earlier.

Overnight confidence spilled over into the early trade yesterday in London stock markets which though extended the recent upturn. Government securities added to Monday's late gains and put on nearly a full point on fresh overseas and domestic investment support. Most leading shares followed with gains ranging from a penny to double figures as both markets awaited

the mid-afternoon announcement of the latest banking statistics.

Businesses in all sectors continued initially at the recently enhanced levels but faded quite abruptly shortly before noon when profit-takers began to make their presence felt. Improvement in Gilt were soon reduced to about 3% and then erased completely on the June banking figures which suggested that sterling M3 had risen during the month by around 3 per cent more than had been expected.

For the remainder of the session, the Gilt market was

ranging from sporadic gains of 1% to losses of that amount. Once again, the shorter end of the market was more prone to easing than longer dated stocks. The trading pattern in equities also lacked uniformity in the engineering sector which closed with useful rises in places. Among the leaders GKN improved afresh to 254p for a rise of 8. John Brown hardened 2 to 53p but Tubes ended without alteration at 278p, after 282p. Elsewhere, rises of 10 were marked against Matthew Hall, 248p, B. Elliott, 260p, and Victor Products, 185p, while Laird Plastics, 94p, and Brent Chemicals, 154p, all firmed 4.

Fairly active trading conditions prevailed in the Traded options market and by the close 2,161 deals had been completed compared with the previous day's 2,346. Gram Metropolitan attracted a good business with 325 contracts done but Courtaulds were also popular, recording 287.

Advertising agency concern Harrison Cowles staged a quiet market debut; from an opening level of 78p, the shares traded between narrow limits and closed at 79p compared with the placing price of 76p. The shares are dealt under Rule 163 (C). Yesterday's official London listing of Global Natural Resources common shares also passed off quietly with the price barely tested at 485p.

Banks below best
Up to 8 higher initially following renewed support ahead of the interim dividend season due to start next week, the major clearing banks drifted easier with the general trend in the wake of the latest banking figures to close with improvements limited to 3. Still reflecting the current firmness of gilt, Diners' scored useful gains. Cattermores stood out with a rise of 13 to 345p. Seecombe Marshall and Company were also notable at 245p, up 10, as were Alexanders, up 8 at 248p, and Gerrard and National, 7 higher at 262p. Renewed firmness was seen in Hire Purchases where Catties Holdings put on 3 to 351p. UDT, however, softened a penny to 63p on a reported bid denial. In merchant banks, Hamburgs were again outstanding with a rise of 9 to 516p, after 520p, on persistent investment demand. Among foreign issues, ANZ edged forward a couple of pence more to 240p; prices in

recent issues were in error. Breweries made a steady return showing, with Allied Breweries, down to 80p on the annual statement.

Selective support was evident in the Engineering sector which closed with useful rises in places. Among the leaders GKN

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In Foods, Tate and Lyle touched 180p before reverting to the overnight level of 156p, while British Sugar eased 4 to 238p on profit-taking. Unigate, annual results due a week tomorrow, added 4 for a two-day gain of 8 to 379p. Brewsters were quoted at 94p ex all, up 7, while the new nil paid shares opened at 11p premium and closed at 15p premium.

Properties took on a slightly easier appearance as recent interest waned. Avenue Close eased 2 to 128p on the lower annual profits. The proposed film rights issue which accompanied the higher annual profits made no apparent impact on McKay Securities, unquoted at 170p.

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Court allegations of breaches in the gaming laws unsettled Coral Leisure which shed 4 to 52p. Associated Leisure lost 2 to 97p on disappointing annual results.

Bristol Evening Post turned to 128p on the good annual results, while John Waddington improved 6 to 122p with the chairman's optimistic statement eclipsing the lower preliminary profits.

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Oils down afresh

Still reflecting comment suggesting that the recent sharp

rise in exploration issues had

been overdone, secondary oil

encountered fresh offerings.

A couple of pence firmer

initially, ICI finished 2 cheaper

on balance at 388p as sellers

gained the upper hand. Fisons

also closed 2 off at 282p, after

260p, while Plytex, 102p, Stewart

Plastics, 94p, and Brent Chemicals,

154p, all firmed 4.

Beecham down

The miscellaneous industrial

leaders turned reactionary

yesterday on sporadic profit-

taking and the withdrawal of

support. Beecham became a

notable casualty, falling 10 to

149p after adverse comment on

the annual report which pro-

mised a much steeper market

reaction after the previous day's

reaction on terms of the group's

bidding for Selection Trust. Lasmo,

however, met selling and closed

20 lower at 785p.

Golds surge ahead

South African Golds reas-

tered the limelight from the

Australian mining and oil &

gas issues as persistent and size-

able demand from most interna-

tional centres followed the

sharp advance by the bulk

price; the latter registered its

highest successive rise and closed

84 up to \$482.5 an ounce

since February 13.

The Gold Mines Index, 97 up

to 373.8, reached its highest for

four months.

Prices opened on a strong note,

reflecting good demand in over-

night American markets, and

continued to move ahead through-

the day prior to easing in the after-hours trade

on small-scale price-taking.

Financials made good progress

reflecting the buoyancy of Golds

The South Africans were

featured by heavy buying of De

Beers, 8 higher at 420p, ahead of

the half-year diamond sales

figure. "Angold" and GFSA both

closed around a point

FINANCIAL TIMES STOCK INDICES

	July 9	July 7	July 6	July 5	July 4	July 3	July 2	July 1	A year ago
Government Secs.	70.35	70.34	69.97	69.58	69.58	69.05	70.20		
Fixed Interest	71.56	71.45	71.17	70.83	70.83	70.75	71.24		
Industrial	482.2	485.0	485.2	485.2	485.2	485.2	485.2		
Gold Mines	573.5	564.1	560.8	558.6	561.4	559.2	561.2		
Ord. Div. Yield	7.95	7.94	7.95	7.95	7.95	7.95	7.95		
Earnings, Fld. 2/2/80	17.91	17.84	17.78	17.73	17.73	17.70	17.68		
P/E Ratio (net 1/1)	6.77	6.76	6.76	6.76	6.76	6.76	6.76		
Total bargains	50,671	27,698	22,129	22,725	22,725	22,725	22,725		
Equity turnover £m.	145,920	171,090	162,725	185,350	185,350	185,350	185,350		
Equity bargains/total	20,294	19,754	16,492	16,492	16,492	16,492	16,492		

10 am - 497.1, 11 am 497.3, Noon 494.0, 1 pm 495.7,
2 pm 495.4, 3 pm 494.9.
Latest Index 01/06 5022.

*Nil = 6.31.

Basis 100 Govt. Secs. 15/10/25. Fixed Int. 15/22. Industrial Int. 17/35. Gold Mines 12/35/5. SE Activity July-Dec. 1980.

HIGHS AND LOWS S.E. ACTIVITY

	1980	Since Compltn'		July 9
	High	Low		High
Govt Secs.	70.55	65.85	197.4	49.16
Fixed Int.	71.56	70.56	150.4	50.53
Industrial	482.2	485.0	561.4	111.1
Gold Mines	573.5	564.1	560.8	55.6
Ord. Div. Yield	7.95	7.94	7.95	7.95
Earnings, Fld. 2/2/80	17.91	17.		

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BRITISH FUNDS

1968	1969	Stock	Price	+/-	Yield	Yield
1000	1000	Stock	Price	+/-	Yield	Yield
"Shorts" (Lives up to Five Years)						
1970	1971					
1971	1972					
1972	1973					
1973	1974					
1974	1975					
1975	1976					
1976	1977					
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2139	2140					

For details of industrial development sites contact Steve Wehrle.
Dept. FT, The Civic Centre, Newport, Gwent.
Tel: (0633) 65491.

Wednesday July 9 1980

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BANBURY BUILDINGS PROMISES FULL CO-OPERATION

Probe into 'VAT-free' scheme

BY MICHAEL CASSELL

CUSTOMS and Excise officers are investigating possible irregularities in the operation of a VAT-free scheme for customers being operated by Banbury Buildings, the home improvement division of London Brick.

On Monday, a team of nearly 30 VAT officials made simultaneous visits to the headquarters of the company at Banbury and its 20 national display centres which are situated as far apart as Sevenoaks in Kent and Edinburgh. Employees were questioned and company documents were taken away.

The Customs and Excise Department refused to comment on the moves but it is understood that their investigations are centred on Banbury Build-

ings' "VAT-free" scheme for customers.

The company, which is a subsidiary of London Brick Buildings, manufactures and sells a wide range of pre-fabricated buildings, including garages, conservatories and home extensions.

Under its "VAT-free" scheme, which is similar to that adopted by many other pre-fabricated manufacturers, Banbury can sell products to customers as zero-rated goods. Provided assembly involves a bona fide builder and forms are signed to that effect.

The company makes a £25 surcharge which is passed on to the nominated builder in part-payment for his services. Turnover of Banbury Buildings was

last year understood to be in the region of £8m, and it is thought that up to £5m of sales could have involved the "VAT-free" facility.

Mr. Michael Wright, deputy chairman and managing director of London Brick, last night confirmed that every Banbury Buildings outlet had been visited by Customs and Excise officials.

Mr. Wright described the "VAT-free" scheme as "a perfectly legitimate and properly constructed arrangement for a company which sold products in component form to be assembled at a later stage."

He added: "We can supply products without charging VAT if they are to be erected by a

builder but it is apparently being suggested that some customers have been naming fictitious contractors in order to escape VAT liability."

Mr. Wright said that all Banbury Buildings' employees had standing instructions to adhere rigidly to the rules laid down for operation of the scheme. London Brick would co-operate at all levels with the Customs and Excise Department during its inquiries, he added.

Last year, London Brick saw wholesale profits fall from £14.09m to £12.74m and the directors said that the results for London Brick Buildings had been particularly disappointing, with high interest rates and reduced mortgage facilities restricting sales.

Ford takes best-ever 32.7% in UK

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD TIGHTENED its grip on the UK new car market in the first half of 1980, taking a 32.7 per cent share—the best half-year penetration achieved by the company.

In contrast, BL will have to struggle very hard if it is to meet its target of a 20 per cent market share for the full year. Following an appalling June, when its penetration dropped to only 13.18 per cent, BL's share after six months was 17.88 per cent.

The relative positions of the two companies is highlighted by the fact that in June the Ford Cortina, Britain's best-selling car, achieved sales of 18,470 representing a market share of nearly 15 per cent, compared with BL's total sales of 16,292.

To achieve its first-half share, however, Ford imported 51.23 per cent of the 284,818 new cars it sold. This was close to the highest imported proportion Ford has yet recorded.

Business failures increase

BY ALAN FRIEDMAN

THE NUMBER of bad debtors and business failures increased sharply in the first half of this year. According to Trade Indemnity, one of Britain's largest underwriters of credit insurance, the number of irrecoverable debts and business failures in which its policyholders became involved grew by nearly 46 per cent in the first half of 1980. The total of 983 companies with 682 in the first six months of 1979.

Retail and wholesale distribution business failures were 29.3 per cent higher in the same period with particularly large increase in the second quarter. In the three

TOP TEN SELLERS—JUNE

1. Ford Cortina	18,470
2. Ford Escort	12,632
3. Ford Fiesta	7,7134
4. Austin-Morris Mini	4,148
5. Vauxhall Chevette	3,873
6. Morris Marina	3,726
7. Renault R18	3,704
8. Ford Capri	3,389
9. Ford Granada	3,280
10. Fiat Mirafiori	3,098

During the first six months of 1980 new car sales at 869,168 compared with 1,031,330 in the same period last year and 868,955 in the first half of 1978.

The SMMT maintains that the six-month figures are in line with its forecast that registrations for the full year will be 1.5m against 1.71m for 1979.

Sir Terence Beckett, chairman of Ford UK, echoed the SMMT's views last night when he said: "It is all too easy to be depressed by comparisons with

last year's 1.71m market which was unprecedented. The industry forecast of 1.5m car sales in 1980, which we still support, is very much in line with most other recent years."

Ford's decision to build more cars for sale in the UK was reflected in the June figure for total imports which was below the record level (60.1 per cent in November last year) at 58.9 per cent of UK sales in spite of BL's poor performance in the month. This compared with 56 per cent in June 1979.

Imports for the half-year reached 57.8 per cent registrations against 55.44 per cent at the same stage last year. And during the six-months, sales of Japanese cars came to 10.6 per cent of registrations compared with 9.8 per cent in 1979 and in line with the expectation that the Japanese will hold their UK market share this year to between 10 and 11 per cent.

Table. Page 6

Barclays to launch new account

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

BARCLAYS BANK yesterday became the first of the major clearing banks to announce new forms of savings and deposit accounts for personal customers. The move is seen as the first stage in plans by the banks to introduce savings plans for individuals competitive with those of the building societies.

Barclays will launch two new accounts on September 1.

The first, the bonus savings account, is for people who can save £10 or more each month for a minimum of 12 months. The interest rate will be fixed at a margin, initially 1 per cent above 7-day bank deposit rate.

At present that would mean a 15 per cent annual rate of interest, against 14 per cent on ordinary deposit accounts.

The second account, the in-

vestment account, is aimed at personal and business customers willing to deposit sums of £5,000 to £50,000 for either three or six month. The interest rate will reflect market rates, but will be fixed for the period. At present it also would be 15 per cent.

The Barclays move marks a departure from the situation where the only savings account ordinary individuals could have with a clearing bank was the seven-day deposit account.

Mr. Brian Pearce, a Barclays general manager, said yesterday that other savings accounts may be launched later. "These new savings schemes are another step in a substantial broadening of our services. We hope the new schemes will help us to attract not only rainy-day savings but a greater share of

the investment savings market."

As part of a general programme to increase their shares of the retail banking market all the other clearing banks are expected to follow Barclays' lead later this year.

All said yesterday that they had their own schemes ready to go once a decision is taken.

One clearer said it was reluctant to move at this stage because of the Bank of England's guidelines about restricting lending to individuals. The implication of the Barclays move, it said, was that Barclays was intending to increase its personal lending.

All the clearers now admit that they intend to become substantially more involved in mortgage lending over the next year.

EEC to curb sales of U.S. yarns

BY GILES MERRITT IN BRUSSELS

MEASURES TO reduce sharply sales of U.S.-made polyester filament yarns in the European Community are to be announced shortly by the Brussels Commission.

As a result of the anti-dumping investigation launched by the EEC three months ago, provisional duties of up to 20 per cent are to be introduced against the yarns to prevent U.S. textile merchants from undercutting European producers.

At the same time, U.S. manufacturers of man-made fibres have indicated they are prepared to negotiate price increases of 20-25 per cent.

The anti-dumping measures will give much-needed relief to European fibre makers, who now estimate that almost half of the loss they will make in 1980 as a result of U.S. competition will occur in the market for polyester filament yarn.

For the UK industry, the curbs will further strengthen the protection of the quotas imposed last February on U.S. polyesters and nylon carpet yarns.

The Brussels announcement of the controls is to be made about the end of this month, although European textile industry experts say that in the present tension surrounding U.S.-EEC trade relations it has become a matter of "political timing."

Officials at the European Commission are less concerned, however, about the reaction of the Carter Administration to the coming move to counter U.S. merchants' dumping of polyesters than about the effects of earlier and less drastic curbs by the UK. The U.S. Government's demands for compensation worth \$55m (£23m), for the UK quotas could result in the withdrawal by both sides of trade concessions between the U.S. and the EEC.

The disagreement over compensation for the UK measures could still become entangled in the forthcoming anti-dumping package being prepared by the Commission. However, the European synthetic fibres producers are understood to be urging prompt action from Brussels. It is being pointed out that while the duties and price undertakings will have a dramatic effect on U.S. sales, and will eventually permit the EEC industry to raise its own polyester filament yarn prices, the curbs may not bite until 1981. With import prices and contracts fixed three months in advance, even an immediate announcement of measures by the Commission would safeguard only the fourth quarter of this year.

Continued from Page 1

Thatcher unruffled by miners

This further pressure was the cause of a Commons Committee row yesterday, when the Government was accused of deliberately "jiggling the finances" of the NCB to turn the expected break-even for the past financial year into a £180m book-loss.

Dr. David Owen, Shadow Energy Secretary, said the Government had ordered a "basically fraudulent representation of the accounts" distinguishing increased output and productivity by the miners.

Moving the conference resolution, Mr. Michael McGahey, NUM vice-president and Scottish area president, said the threat of pit closures and the challenge of imports would not deflect the miners from insisting on the £100 a week minimum. Drawing parallels with the 1971-72 overtime ban and

strike, he said wages were a way of "tackling the Tories over the whole range of their economic policies."

The miners would unite and lead the trade union movement in a struggle against the Government. "If they want a confrontation—and they will be the people who are confronting us—in which we have the earliest possible General Election and get rid of the Tories," Mr. McGahey said.

He was echoed by Mr. Arthur Scargill, Yorkshire president, who said that if "the woman in Number Ten" wanted a fight it would be of her choosing, not that of the miners. The Government's financial constraints were as much an interference with bargaining as Mr. Heath's incomes policy.

\$3bn Jubail deal agreed

AGREEMENT on a \$3bn joint venture petrochemicals complex at Jubail in Saudi Arabia has now been reached by Pecten Arabian, part of the Shell group, and SABIC—the Saudi Basic Industries Corporation.

The Shell group is expected to receive as much as 200,000 barrels a day of crude oil as part of the deal—plus some of the basic chemicals that will be made at the new Jubail complex.

Source: TRADE INDEMNITY

Bad Debtors & Business Failures

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Wholesale prices in U.S. up sharply

By JUREK MARTIN in Washington

WHOLESALE PRICES in the U.S. rose significantly faster in June than in the previous two months, the Labour Department reported yesterday.

The producer price index went up by 0.8 per cent in the month, having advanced by only 0.5 per cent and 0.3 per cent in April and May respectively, with almost all sectors except energy increasing markedly.

The June performance is, of course, nothing like as bad as the early months of the year, when wholesale and consumer prices were going up at an 18-20 per cent annual rate. Over the last 12 months, the producer price index has risen by 12.5 per cent.

But such increases normally show up sooner or later at retail level and the June figures cast at least some doubt on the Administration's predictions that these had been exaggeratedly slow in giving the right signal. To a certain extent the June figures offered a pretext—perhaps the best chance of the summer. And the response of the financial markets suggests that no one is worried that last week's cut—or a possible further cut—will dangerously encourage credit demand.

For the four months since February, sterling M3 shows an annualised growth of 11.4 per cent, supposing that the Banks' indication of 2 per cent growth in June is accurate—it is more than usually provisional, since it is not quite clear who bought all the gifts sold during the banking month. For the rest, the figures show the familiar pattern of eligible liabilities growing a good deal faster than sterling M3. There may have been some last-ditch attempts to get round the corset in its last month of operation, but the fact that the banking system as a whole moved from 6 per cent to 8.1 per cent above the corset ceiling suggests that most banks were more anxious to bag market share than to avoid penalties.

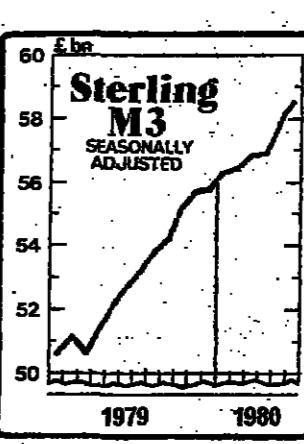
Elsewhere, the clearing bank figures show a sharp rise in sterling lending to overseas residents. While sterling lending to domestic residents is satisfactorily lower—as it should be when the Exchequer was in very large deficit—UK residents increasingly seem to be arranging foreign currency bank finance.

The gilt-edged market had perhaps hoped for more reassurance from the figures, and fell quite sharply when they were announced. As a result, today's

THE LEX COLUMN

Monetarism with a difference

Index fell 2.3 to 492.7



Quite apart from their fleeting significance as the gilt-edged market's monthly monetary fix, the June banking figures have a certain historic importance. These, it seems, were the magic numbers which convinced the Bank of England that monetary policy was working and allowed it to lower Minimum Lending Rate.

Students of official policy intent on spotting future cuts in MLR now know what to look for—a month where the figures are seriously distorted (in this case by the imminent lapsing of the corset scheme) and where sterling M3 growth is just above the permitted target range.

The figures confirm last week's suspicion that the authorities had been considering cutting rates, under considerable political pressure, as a result of old-fashioned feelings about the likely course of credit demand in a developing recession rather than from strict adherence to the monetary targets. These had been exasperatingly slow in giving the right signal.

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